The Coca-Cola Company

Annual Report 1985

As it prepares to celebrate the centennial of Coca-Cola in May, The Coca-Cola Company has enhanced its position as the undisputed leader of the worldwide soft drink industry. The Company is also a major producer and distributor of motion pictures and television programs and one of the world's largest citrus marketers. The Company's brands, sold in more than 155 countries, include megabrand Coca-Cola — comprising products Coca-Cola, Coca-Cola classic, diet Coke, cherry Coke, diet cherry Coke, caffeine-free Coke and caffeine-free diet Coke — Sprite, TAB, Fanta, Minute Maid, Five Alive and Hi-C, among others. The Company's entertainment business consists primarily of the various units of Columbia Pictures Industries, Inc., recently acquired Embassy Communications and Affiliates and Tandem Productions and a significant interest in Tri-Star Pictures, Inc.

Cover: *Through innovative advances in marketing, packaging and distribution, Coca-Cola has evolved from its modest soda fountain origin 100 years ago into a timeless symbol of quality refreshment and the world's most widely recognized trademark. Today, brand Coca-Cola is number one in the United States and the world, refreshing hundreds of millions of people every day.*

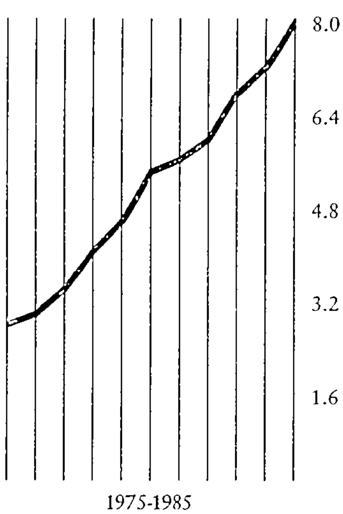
Contents

The power of the Coca-Cola system, the strength of our trademarks, the flexibility of our Strategy and the creativity of our people propel us into a second century of leadership.

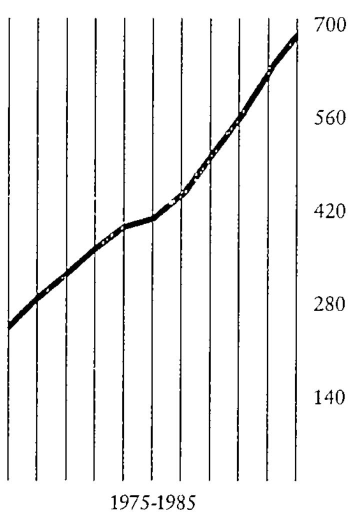
Financial Highlights
(In millions except per share data)

Year Ended December 31,	1985	1984	% Change
Net operating revenues	$7,903.9	$7,151.8	10.5%
Operating income	$1,045.4	$1,042.1	.3%
Income from continuing operations before income taxes	$1,092.8	$1,054.8	3.6%
Income from continuing operations	$ 677.6	$ 621.8	9.0%
Net income	$ 722.3	$ 628.8	14.9%
Income per share from continuing operations	$ 5.17	$ 4.70	10.0%
Net income per share	$ 5.51	$ 4.76	15.8%
Dividends per share	$ 2.96	$ 2.76	7.2%
Shareholders' equity at year-end	$2,979.1	$2,778.1	7.2%
Income from continuing operations to net operating revenues	8.6%	8.7%	
Income from continuing operations to average shareholders' equity	23.5%	21.8%	
Book value per share	$ 23.154	$ 21.235	
Closing market price per share	$ 84.50	$ 62.375	
Ratio of market to book value	3.6	2.9	

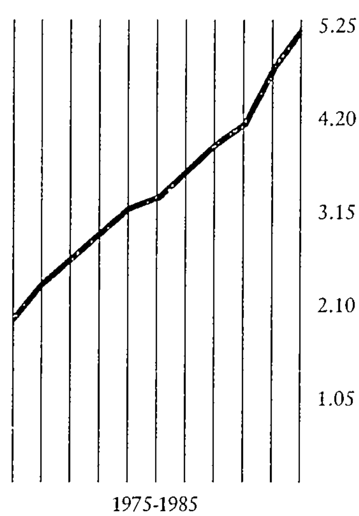
Net Operating Revenues
($ Billions)



Income From Continuing Operations
($ Millions)



Income Per Share From Continuing Operations *($)*



As we celebrate the centennial of Coca-Cola in May and embark on a challenging and promising second century, The Coca-Cola Company is forging ahead with its Strategy for the 1980s. From 1981 through 1985, earnings per share from continuing operations grew at an average annual rate of 10 percent, and return on average shareholders' equity from continuing operations increased 3.6 points to 23.5 percent. During the same five-year period, average compounded annual return on your investment—stock price appreciation plus dividends—reached 24 percent versus 13 percent for Standard & Poor's Composite Index of 500 Stocks. All of this was accomplished during a time of significant continuing increase in the value of the U.S. dollar, which negatively affected our year-to-year reported earnings comparisons.

In 1985, the Company achieved a 9 percent increase in income from continuing operations to $678 million, and a 10 percent gain in income per share from continuing operations to $5.17. Net income per share was $5.51. Operating income exceeded $1 billion in 1985. In addition, 1985 was a year of unprecedented new product introductions, supported by substantial marketing investments to seed our new megabrand products, Coca-Cola, Coca-Cola classic and cherry Coke, as well as to support the remarkable success of diet Coca-Cola.

Strategic Focus As we look to the future, it is difficult to foretell the world of 1990, but your management has a shared set of expectations, ambitions and goals for The Coca-Cola Company and its system. We are a changed company. We are a more action-oriented and forward-looking company. We are fully committed to achieving sustainable, profitable growth and enhancing shareholder value.

Our Strategy will continue to be flexible to take advantage of circumstances that arise. Our challenge is to maintain momentum and to capitalize on change.

With our Strategy statement as a guide, we have embraced a new corporate culture based on intelligent risk taking. We are emphasizing long-term results and sensitivity to changing business and consumer environments. One thing is certain: our Strategy will continue to be flexible to take advantage of the opportunities that arise. Our challenge is to maintain momentum and to capitalize on change.

While adapting to change, the fundamentals underpinning our Strategy remain constant. We will continue to be a consumer-driven company that creates and fulfills consumer demand around the world. We will continue to expand our three businesses—soft drinks, entertainment and foods.

First and foremost, we will be a soft drink company. By 1990, The Coca-Cola Company, together with the Coca-Cola bottling system, will have enhanced its position as the world's leading soft drink marketer by ever wider margins. We will capitalize on our strengths, which include our trademarks, marketing and distribution systems second to none, significant financial resources, knowledge of business conditions around the world and a heritage of excellence.

Leveraging Our Trademarks Perhaps the best example of our strategic commitment to leadership in the soft drink industry—and certainly the most dramatic event of the past year—was the further development of megabrand Coca-Cola. With the introductions of the new taste of Coca-Cola, Coca-Cola classic and cherry Coke in 1985, we extended the process of leveraging the world's best-known trademark begun with the 1982 introduction of diet Coke. The speed and flexibility of the Company's response to American consumers during the past year is testament to our

Roberto C. Goizueta, Chairman, Board of Directors, and Chief Executive Officer, with Donald R. Keough (foreground), President and Chief Operating Officer

ability to listen to, and our willingness to meet, consumer demand for choice in the soft drink marketplace.

These products of the Coca-Cola megabrand—along with our caffeine-free colas—boldly extended the Company's soft drink leadership. Today, one of every two colas and one of every three soft drinks consumed by the American public is a Coca-Cola branded product. This achievement, combined with the strong performance of such allied brands as Sprite, has expanded our total U.S. share to 39 percent in 1985 from 35 percent five years ago.

We are continuing to extend the successful megabrand concept and strategy, utilizing for this purpose our second most valuable Company trademark, Minute Maid. After a successful experience with Minute Maid Orange Soda in Canada, in early 1986 we began the U.S. introduction of Minute Maid Orange Soda, Minute Maid Lemon-Lime Soda and their diet versions, all vitamin enriched and containing 10 percent fruit juices.

Our Worldwide Thrust We are already the leading soft drink business internationally, with a share of 44 percent, outselling our nearest competitor by more than a three-to-one margin outside the United States. Nevertheless, we plan to invest a significant portion of our cash flow in the next five years to develop further the International Soft Drink Business Sector's vast growth potential. This will require increasing *availability,* enhancing *affordability* and broadening *acceptability* of our soft drink products.

Tremendous opportunities exist to increase international per capita consumption of soft drinks. Whereas Americans drink an average of 806 soft drinks per person each year, consumers in international markets drink just 118 soft drinks per year, 15 percent of U.S. per capita consumption. By the end of the decade we expect to increase international per capita consumption of our products by 40 percent from 1985 levels. Significant progress was made in 1985 when we achieved over 10 percent unit volume growth.

WE HAVE STEPPED UP OUR BOTTLER RESTRUCTURING PROGRAM TO CREATE A MORE EFFICIENT DISTRIBUTION SYSTEM TO SERVE OUR EXPANDED PRODUCT LINE.

As in the U.S., we have stepped up our bottler restructuring program internationally. Our goal is to reduce our current low production costs and create a more efficient distribution system to serve our expanded product line. We already have effected several key transfers of bottler ownership that have strengthened our independent bottler system.

In market development, our international bottler system is creating demand for low-calorie beverages in locations where such markets do not yet exist. Since 1983, we have introduced diet Coke or Coca-Cola light in 59 countries, extending our most valuable asset—the trademark Coca-Cola—in worldwide markets.

Expanding Entertainment Opportunities The Coca-Cola Company is committed to expansion that complements existing businesses and provides profitable growth potential. Columbia Pictures Industries, Inc., the centerpiece of our participation in the rapidly growing entertainment industry, presented such an opportunity. In each of the three full years our Company has had an equity in the entertainment industry, that segment of our business has achieved more than a 30 percent gain in operating income.

To meet accelerating consumer demand for quality entertainment software and to maximize the efficient use of its distribution systems, Columbia was a partner in the

1982 formation of Tri-Star Pictures, the first major motion picture studio created in many years. To lessen the financial risk of motion picture production, Columbia Pictures and Tri-Star Pictures separately entered into pay and network television licensing agreements, as well as several equity financing arrangements.

In 1985, for the third consecutive year, television contributed the greatest portion to operating income in the Entertainment Business Sector. Columbia Pictures Television's production and distribution capabilities were complemented in 1985 with the acquisitions of Embassy Communications and Affiliates and Tandem Productions, leading producers and syndicators of television programs. Also, we entered into several licensing and syndication agreements to increase the flow of programming in future years to television stations nationally.

Our entertainment sector is taking advantage of the growth in home entertainment by being a major participant in the burgeoning videocassette business. In the years ahead, we will continue to develop and distribute programming to all types of delivery systems, including movie theatres, cable systems, television markets and videocassettes.

Leading in Our Foods Markets In our Foods Business Sector, our Strategy calls for our products to be the leading entries in their respective market segments. In spite of intense competition, Minute Maid orange juice remains the number one selling product. Our share of U.S. orange juice sales, frozen concentrated and chilled combined, reached 22 percent for the full year 1985 from 20.5 percent five years ago.

To capitalize further on its strong distribution system and well-known trademarks, Coca-Cola Foods has introduced more than 60 new products and packages since 1981. We have captured larger shares of product categories by segmenting the industry. A prime example of our willingness to meet and even create consumer demand is our leadership in aseptics—single-serving, non-refrigerated drink box packaging.

The 1985 purchase of Nutri-Foods Int'l., Inc., a producer of frozen fruit juice-based desserts, leverages the Company's marketing and distribution expertise. Through Nutri-Foods, we are participating in a fast-growing food segment that fits well with consumer demand for quality, nutrition and convenience.

Aggressive Financial Activity In the financial arena, The Coca-Cola Company is pursuing a more aggressive policy. We are using greater financial leverage whenever strategic investment opportunities are available. We are reinvesting a larger portion of our earnings by increasing dividends at a lesser rate than earnings per share growth. We are maintaining our effective income tax rate at a level well below our historical rate. And, we are continuing to repurchase our common shares when excess cash or debt capacity exceed near-term investment requirements.

Another principle in our Strategy requires us to consider divesting assets when they no longer generate acceptable returns and earnings growth or are inconsistent with our focus on consumer products. Accordingly, over the last five years we have sold a wine business, a private-label instant coffee and tea unit, a boiler and industrial water purification subsidiary, a regional pasta operation and private-label plastic products businesses.

WE WILL CONTINUE TO DEVELOP AND DISTRIBUTE ENTERTAINMENT PROGRAMMING TO ALL TYPES OF DELIVERY SYSTEMS, FULLY CAPITALIZING ON THE RAPIDLY GROWING DYNAMICS OF THE ENTERTAINMENT INDUSTRY.

Also in 1985, we completed the conversion of certain entertainment sector receivables to cash to free up funds with which to make higher-return investments.

Dividend and Other Board Matters For 24 consecutive years, your Board of Directors has approved dividend increases. At its February 20, 1986, meeting, the Board increased the quarterly dividend to 78 cents, equivalent to a full-year 1986 dividend of $3.12 per share.

We were deeply saddened by the death in March 1985 of Director Emeritus Robert W. Woodruff, one of the world's greatest business leaders. Few businesses have been as successful as The Coca-Cola Company, and few have been as influenced by the leadership of a single individual as we have been by Mr. Woodruff. He is missed.

In December 1985, we mourned the death of former Chairman J. Paul Austin, who presided over one of the most dynamic periods of growth in the Company's history. All of us with the Company are indebted to Mr. Austin for his legacy of achievement.

Complying with Company bylaws, two distinguished members of our Board, George W. Woodruff and George S. Craft, did not stand for re-election to the Board in 1985. Mr. Woodruff, who served the Company for nearly half a century, was elected to the Board in 1936. Mr. Craft was elected a Director in 1972. Their dedicated service and contributions as Board members benefited the Company in numerous ways, for which we are grateful.

Last July, the Board elected and welcomed as a Director Paul F. Oreffice, president and chief executive officer of The Dow Chemical Company. We are pleased to add Mr. Oreffice's broad international experience to our Board.

WHILE WE ARE FAR AHEAD IN FULFILLING OUR VISION FOR THE 1980S, WE WILL CONTINUE TO TAKE INITIATIVES TO DRIVE PROFITABLE GROWTH AND CREATE SHAREHOLDER VALUE.

Creating Shareholder Value Because we are mindful of the heritage of excellence that has guided The Coca-Cola Company to the present, we cannot manage this Company only as a portfolio or a warehouse of valuable equities. We must regard ourselves as a factory that enhances the worth of these equities and produces value for our shareholders. We are approaching 1990 as a renaissance company made up of versatile, resilient and creative professionals. We are reinvigorating our business while it is producing record profits, and this will continue to be our collective wisdom.

The decade of the 1980s is half over, but we are far ahead in fulfilling our vision. Wherever our three businesses expand and develop in the future, you can be sure that The Coca-Cola Company will be there capitalizing on its strengths. Our people will propel the Company forward into its next 100 years, taking initiatives to drive profitable growth and create greater shareholder value well into the second century of Coca-Cola.

Roberto C. Goizueta
Chairman, Board of Directors,
and Chief Executive Officer

Donald R. Keough
President and
Chief Operating Officer

February 20, 1986


Coke
Coca-Cola
CLASSIC
Cherry
Coke

The Coca-Cola Company's worldwide soft drink unit volume achieved outstanding growth of 10 percent in 1985, boosting the Company's worldwide share to more than 42 percent, from 35 percent in 1984. Operating income from the two soft drink business sectors totaled $881 million in 1985, about even with 1984 as a result of significant marketing investments made in North America. Total soft drink operating income represented 76 percent of operating income from the Company's four business sectors.

North America Soft Drink Business Sector

A 9 percent increase in shipments of syrup and concentrate highlighted a history-making year for the North America Soft Drink Business Sector. The Company's bold product introductions and marketing moves paved the way for achieving the sector's long-term strategic growth objectives while at the same time changing the fundamentals of the soft drink industry in the United States and Canada.

The sector's largest division, Coca-Cola USA, revitalized and expanded its leadership of the sugar cola segment through major product introductions for Coca-Cola, Coca-Cola classic and cherry Coke. The division also attained significant volume increases for diet Coke, Sprite and diet Sprite.

Coca-Cola USA's overall volume gain in excess of 9 percent outpaced the industry's 5 percent growth rate and increased the division's share of domestic soft drink sales to 39 percent—the highest in history.

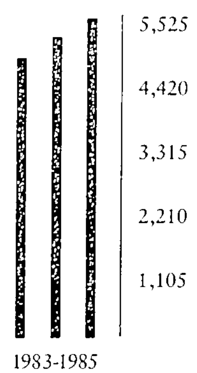
In unit sales, Coca-Cola USA outgrew the overall soft drink industry in food stores, vending, all other bottle/can segments and fountain outlets. Food stores account for 36 percent of the Company's domestic volume, vending and other bottle/can segments represent 32 percent and fountain accounts for 32 percent.

Significant marketing investments, primarily for rapid national product launches, resulted in somewhat lower operating income than in 1984 but set the stage for accelerated future income growth.

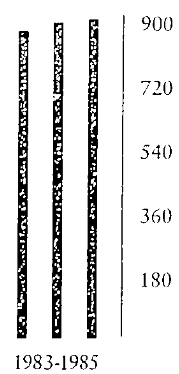
Coca-Cola USA continued to fulfill its strategic goal of business leadership by marketing the best product line and maintaining the best bottler and fountain-customer system in the U.S. soft drink industry. The division's pace-setting activities in consumer

THE SMOOTH TASTE OF COCA-COLA, THE TRADITIONAL APPEAL OF COCA-COLA CLASSIC AND THE OUTRAGEOUS FUN OF CHERRY COKE PROVIDE CONSUMERS WITH THREE SUGAR COLA PRODUCT OPTIONS IN THE COCA-COLA MEGABRAND.

Soft Drinks
Net Operating Revenues
($ Millions)



Operating Income
($ Millions)



marketing, bottler development, technological innovation and human resource management resulted in a further strengthening of its leadership position.

New Taste of Coke As part of its strategic efforts to enhance the trademark Coca-Cola and to continue as the leading force in the industry, the Company took historic steps to satisfy the changing tastes of American consumers. The Company developed a new taste for Coca-Cola, which earned superior preference ratings in consumer taste tests. In April, the new taste of Coke was launched nationwide. With its smoother taste and contemporary positioning, Coke began developing a new consumer franchise with special appeal to the youth segment.

As national rollout of the new formula reached full throttle, many consumers demonstrated unexpectedly strong loyalty to the original taste of Coca-Cola by requesting the option of once again enjoying its familiar, unique taste. Responding promptly, the Company introduced Coca-Cola classic in July—a new name for the product with the original formula for Coca-Cola. This gave America an unparalleled choice: the traditional taste in Coca-Cola classic, appealing to its committed consumers, and the exciting new taste of Coke, attracting new consumers to Company products.

Coke and Coca-Cola classic are the cornerstone products of the Coca-Cola megabrand, the family of soft drinks bearing the world's most recognized trademark, Coca-Cola. Along with Coke and Coca-Cola classic, the other products of megabrand Coca-Cola include diet Coke, cherry Coke, caffeine-free Coca-Cola and caffeine-free diet Coke. Diet cherry Coke entered test markets in the first quarter of 1986.

Sharing a world-famous name and certain extrinsic values, each of these soft drink products satisfies different consumers on various use occasions. Together, they constitute the most formidable brand—or megabrand, because of its sales volume—in the soft drink industry, by any measure.

CAFFEINE-FREE COKE, CAFFEINE-FREE DIET COKE AND CAFFEINE-FREE TAB PROVIDE CONSUMERS WITH A VARIETY OF COLA OPTIONS WITHOUT CAFFEINE. TAB, TARGETED PRIMARILY TO FEMALE CONSUMERS, COMPLEMENTS COCA-COLA USA'S LOW-CALORIE COLA SEGMENT LEADERSHIP.

By the end of 1985, half the colas consumed in the U.S. carried the trademark Coca-Cola, and one of every three soft drinks in the U.S. was a Coca-Cola branded product.

Megabrand Strategy Beyond increased consumer interest sparked by product introductions, the Company's megabrand strategy changed the rules of the game, if not the game itself, for the soft drink industry and redirected its future course with a new emphasis on providing multiple options for consumers under the umbrella of a powerful, trusted brand name.

One of these options is cherry Coke. The pioneer in a new cherry-flavored cola category, cherry Coke reached top-10 status among all soft drinks by year end.

The combination of Coca-Cola, Coca-Cola classic and cherry Coke in 1985 provided a 7 percent volume increase for the Company in the sugar cola segment. In contrast, the Company and the industry grew the sugar cola segment by only 2 percent a year in the past six years.

SECOND ONLY TO COCA-COLA IN AVAILABILITY IN THE U.S. FOUNTAIN SEGMENT, DIET COKE IS THE TOP-SELLING LOW-CALORIE SOFT DRINK.

In the major growth area of diet colas, Coca-Cola USA enhanced its already impressive leadership position. Diet Coke, which in 1982 was the first product to extend the Coca-Cola trademark, achieved volume growth of 33 percent in 1985. The product's taste superiority was reconfirmed in nationwide taste tests. Diet Coke and caffeine-free diet Coke attained a combined 8 percent share of the U.S. soft drink industry. These products, together with TAB and caffeine-free TAB, commanded more than 50 percent of overall diet cola sales.

Citrus-Flavored Soft Drinks Responding to changing consumer tastes, Coca-Cola USA made further strides in another rapidly

expanding segment: citrus-flavored soft drinks. Backed by aggressive marketing, Sprite and diet Sprite gained on products of the lemon-lime category leader for the second consecutive year. In unit volume, Sprite and diet Sprite grew 16 percent.

To enhance the value of another major trademark, the Company initiated the introduction of Minute Maid Orange Soda, Minute Maid Lemon-Lime Soda and their diet versions in 1986. These new vitamin-enriched products contain 10 percent fruit juices, and the two diet sodas are sweetened with NutraSweet. Also, low-calorie Fresca, reformulated with 1 percent grapefruit juice and NutraSweet, performed well after entering a U.S. market test late in 1985.

Strengthened Bottler, Fountain Programs
The Company's energetic product-line initiatives came to fruition through programs to enhance further its bottler and fountain-customer system—by far the strongest in the U.S. soft drink industry. A bottler development program, in place for the last five years, facilitates Company participation in many bottler ownership changes. This strengthens the long-term quality of bottler management.

SPRITE AND DIET SPRITE CONTINUED TO MAKE STRONG GAINS IN 1985, GROWING 16 PERCENT IN UNIT VOLUME, AND SHOWING EXCEPTIONAL APPEAL AMONG YOUNG PEOPLE.

In 1985, the program was broadened to include geographic realignments to enhance economies of scale and better organize market trading areas, and improvements in bottler financial structures to facilitate growth.

Also in 1985, an investor group led by J. Bruce Llewellyn and Julius "Dr. J" Erving purchased controlling interest in The Philadelphia Coca-Cola Bottling Company from The Coca-Cola Bottling Company of New York, Inc., providing for the first majority black-owned

Coca-Cola bottling company in the U.S.

To strengthen further the U.S. distribution system and accelerate volume growth, the Company announced in early 1986 the anticipated merger of its U.S. bottling interests with those of JTL Corporation and the Great Western, Denver and Phoenix Coca-Cola bottling companies. The formation of what will be the world's largest independent bottling operation will enhance the Coca-Cola bottler system's ability to execute marketing strategies developed with Coca-Cola USA, and enhance the value of all the bottling properties. The anticipated merger is consistent with the Company's strategy to achieve a stronger, more efficient bottler network by investing more aggressively in bottler operations through minority interests and joint ventures, when appropriate.

Coca-Cola USA also strengthened its bottler system through programs to reduce operating costs, thereby providing increased marketing funds. These include programs by which bottlers produce syrup from concentrate and self-manufacture packaging.

To maintain its unparalleled food service customer system, Coca-Cola USA further improved its high quality fountain service programs. Fountain advances included a smart valve, which uses microcomputer technology to ensure high quality soft drinks, a bag-in-box non-returnable syrup packaging system and 24-hour online customer service.

The Company's technological innovations provided a competitive edge in 1985, particularly in packaging. The nation's first plastic soft drink can, developed by Coca-Cola USA in conjunction with an international packaging consortium, entered a market test to study its acceptability and ability to be recycled. With the Company-developed "Coke Space Can," Coca-Cola became the first soft drink consumed in space.

Canadian Operations In Canada, the Company registered a 7 percent unit

REFORMULATED FRESCA, THE LOW-CALORIE BEVERAGE WITH 1 PERCENT GRAPEFRUIT JUICE AND NUTRASWEET, WAS TEST MARKETED IN 1985 WHILE VITAMIN-ENRICHED MINUTE MAID ORANGE SODA, MINUTE MAID LEMON-LIME SODA AND THEIR DIET VERSIONS BEGAN NATIONAL INTRODUCTION IN EARLY 1986. MELLO YELLO, WITH NEW PACKAGING GRAPHICS AND ADVERTISING, GAINED SHARE IN TEST MARKETS.

volume gain, exceeding the Canadian soft drink industry's growth rate. Coca-Cola Ltd., the Canadian operating unit of the North America Soft Drink Business Sector, achieved its largest-ever overall share.

The Coca-Cola megabrand strategy was successfully launched in Canada with the new taste of Coca-Cola, the introduction of Coca-Cola classic and the partial rollout of cherry Coke. For the year, combined unit sales of Coke and Coca-Cola classic were ahead of 1984 sales of sugar colas.

Minute Maid Orange Soda, launched in Canada in 1984, was introduced in additional areas and has achieved segment leadership in all Canadian markets where it is available.

For the North America Soft Drink Business Sector as a whole, following 1984's 10 percent volume gain, the impressive 9 percent increase in 1985 was nearly double the growth rate of the extremely competitive industry. More importantly, groundwork was laid for future growth by new-product launches, the repositioning of current entries and the opening of entire new categories. The Coca-Cola megabrand strategy offers virtually limitless potential for pleasing more consumers on more occasions through the unmatched strength of the trademark Coca-Cola.

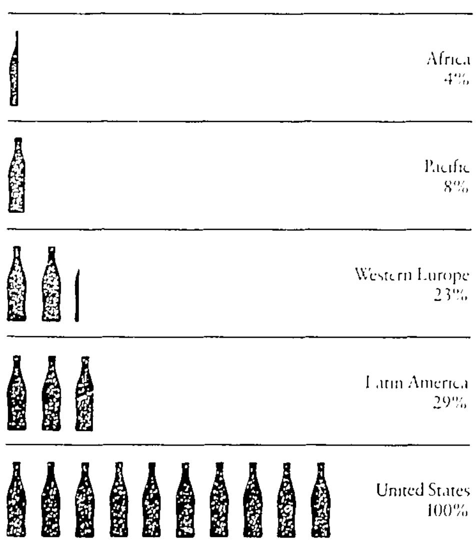
THE COMPANY IS FOCUSING ON THE OUTSTANDING GROWTH POTENTIAL REPRESENTED BY INTERNATIONAL SOFT DRINK PER CAPITA CONSUMPTION, WHICH IS ONLY 15 PERCENT OF THAT IN THE U.S.

International Soft Drink Business Sector

Unit volume in the International Soft Drink Business Sector grew more than 10 percent in 1985, the highest increase since 1979. Operating income increased despite the continued strengthening of the U.S. dollar during most of the year, which penalized translation of local currency results and year-to-year earnings comparisons.

The sector's strong performance reflects the initial effects of The Coca-Cola Company's long-term strategic objective to build international per capita consumption of soft drinks. While international per capita consumption is only 15 percent of the U.S. level, there is enormous growth potential

International Soft Drink Potential
(Per capita consumption as a percentage of the U.S. rate)



Excludes the USSR, China and India to avoid distortions

inherent in gaining new soft drink users and promoting new use occasions.

Expanding per capita consumption is the key to volume growth since The Coca-Cola Company is already the leading soft drink business in nearly every international market. The Company has a 40 percent average share of soft drink sales in the more than 155 countries in which it does business and significantly higher shares in most major markets. To address the vast growth potential of the international sector, the Company is moving toward three objectives:

- □ Increasing product *availability,*
- □ Enhancing *affordability,*
- □ Broadening *acceptability* to more consumers on more occasions.

Availability: To boost penetration in non-traditional soft drink channels, the Company aggressively installed innovative vending and fountain equipment in new outlets. New product introductions such as diet Coca-Cola and cherry Coke expanded the range of products available in international markets. Vending and fountain segments are significantly less developed outside the U.S., representing under 10 percent of unit volume, compared with more than half of the Company's unit volume in the U.S.

Affordability: The Company and the Coca-Cola bottling system continued efforts in 1985 to make Company soft drinks more affordable to more consumers by pioneering larger package sizes, which offer greater value and convenience to the consumer.

Acceptability: The Company increased its marketing efforts to position soft drinks as appropriate for consumption in a wider variety of settings and occasions.

In 1985, Coca-Cola achieved its strongest international volume growth in several years. To broaden its acceptability, Coca-Cola is promoted in Korea and other international markets as a complement to food.

Geographic Results The Company's increased advertising and promotional activities and the improved economies of several individual markets helped to spark incremental volume and operating revenues in each of the Company's three major geographic groups outside the U.S.

In Latin America, volume grew more than 14 percent. However, the effects of continuing price controls in some major Latin American markets contributed to a small decline in operating income in 1985. Improved economic conditions in Mexico helped generate an 18 percent increase in volume and a healthy gain in operating income. Brazil and Colombia each experienced strong volume gains although operating income was limited by continuing price controls. Operating income was enhanced in Argentina as a result of increased purchasing power achieved through improved economic conditions.

SPRITE BECAME THE TOP-SELLING LEMON-LIME SOFT DRINK BRAND OUTSIDE THE U.S. IN 1985. INTERNATIONAL GROWTH FOR SPRITE WAS ESPECIALLY STRONG IN LATIN AMERICA, WHERE IT WAS SUCCESSFULLY INTRODUCED IN BRAZIL.

The Pacific group reported operating income growth of 11 percent, which was primarily driven by a 6 percent gain in volume. In Japan, shifts in product mix and a 6 percent volume increase led to a strong operating income increase. In Australia, volume grew more than 19 percent and operating income advanced, while in the Philippines volume decreased slightly due to bottler inventory reductions during the year.

In Europe and Africa, operating income grew 4 percent as a result of a 9 percent volume gain and despite a strong U.S. dollar. Volume growth in Europe and Africa was driven by effective marketing and volume-building activity. Strong volume gains of 27 percent and 14 percent were achieved in Italy and Great Britain, respectively.

Product Performance In striving to increase availability, enhance affordability and broaden acceptability, the sector is equipped with a quality product line and an unparalleled bottler network. The Company serves varied consumer preferences with its superior product offerings in both growing and emerging soft drink segments.

Volume for Coca-Cola, the Company's leading soft drink internationally, grew 9 percent in 1985, a rate well above that of recent years. In Italy, where Coca-Cola volume increased 24 percent, extensive advertising supported the soft drink's leadership position. In Australia, strong growth resulted from nationally coordinated bottler programs designed to increase sales through supermarkets and large fountain outlets. In Colombia and Mexico, Coca-Cola volume grew 14 percent and 12 percent, respectively, as a result of intensive promotional efforts and improved economic conditions.

The Coca-Cola megabrand continued to establish a strong position beyond the sugar cola category internationally. Three years ago, the Company made the strategic decision to extend the Coca-Cola trademark into the low-calorie segment. Diet Coke quickly became both the top selling low-calorie soft drink and low-calorie food product in the world. The low-calorie soft drink category has become increasingly important as populations in developed countries become increasingly fitness conscious.

In 1985, international volume for diet Coke increased 14 percent over 1984, a year in which volume more than doubled. Available in 61 countries, diet Coca-Cola, known in some markets as Coca-Cola light, has captured 21 percent of the international low-calorie soft drink category. Diet Coca-Cola achieved strong results in Australia and Great Britain. In Argentina, diet Coke has become a well-established soft drink after slightly more than a year of availability. In Norway, Coca-Cola light volume grew 30 percent. Coke light sells second only to Coca-Cola in Norway as

THE DEVELOPMENT OF BOTTLES FOR THE COCA-COLA MEGABRAND ALLOWS INTERNATIONAL BOTTLERS FLEXIBILITY IN ADDING PRODUCTS OF THE COCA-COLA MEGABRAND. THE RETURNABLE BOTTLES CAN BE RELABELED TO PACKAGE ANY PRODUCT OF THE COCA-COLA MEGABRAND.

well as in several other countries.

Cherry Coca-Cola, introduced in several international markets in 1985, is a promising member of the Coca-Cola megabrand. Cherry Coke was test marketed in Tokyo, Japan, where it attracted high consumer interest, and will be rolled out nationwide in 1986. National rollouts of cherry Coke began in the fourth quarter in Holland, Puerto Rico, Norway and Canada. Backed by bold, new packaging graphics and an aggressive advertising campaign, cherry Coke is scheduled for several more major market introductions in 1986, in addition to its January 1986 launch in the United Kingdom.

Positioned as a unique soft drink alternative, cherry Coke extends the Coca-Cola trademark into the large market for fruit-flavored soft drinks. Fruit flavors historically have been more popular internationally than in the U.S., accounting for 45 percent of international industry sales.

In the lemon-lime category, Sprite became the best selling soft drink outside the U.S. in 1985. Sprite volume increased 31 percent internationally as a result of wider availability and improved performance in many markets.

Sprite volume was particularly strong in Latin America. In Mexico, the Company's second-largest volume market after the U.S., volume tripled through significantly increased availability and aggressive marketing support. In 1985, Sprite also was successfully introduced in Brazil, another high growth potential market.

European gains for Sprite were paced by Italy's 41 percent volume growth, which resulted from increased advertising and promotions. In Australia, increased marketing support for Sprite resulted in significant volume increases.

Fanta, the Company's number two soft drink brand in volume worldwide, achieved renewed growth in 1985 with a 10 percent unit volume increase. Rejuvenated by creative marketing programs and successful flavor reformulations, the Fanta

SATISFYING VARIED CONSUMER PREFERENCES IN BOTH GROWING AND EMERGING SOFT DRINK SEGMENTS, INTERNATIONAL BOTTLERS MARKET SUCH SUCCESSFUL PRODUCTS AS COCA-COLA LIGHT IN NORWAY, FANTA FRUIT PUNCH IN JAPAN, CAFFEINE-FREE COKE IN SPAIN, KIN MINERAL WATER IN ARGENTINA AND SPRITE LIGHT IN SWITZERLAND.

brand reversed a five-year decline. The 1985 results for Fanta further strengthened the Company's position in the international fruit-flavored soft drink segment.

A marketing affiliation with The Walt Disney Company enhanced the success of Fanta in 1985. The natural appeal of such world-famous properties as Mickey Mouse and Donald Duck equips Fanta with a powerful marketing tool for reaching young consumers. Reformulations, new packaging and new flavor extensions of the Fanta brand, often combined with the Disney association, helped to achieve volume increases for Fanta in Japan, Italy, Germany, Brazil and Australia.

FANTA, THE COMPANY'S SECOND BEST-SELLING BRAND WORLDWIDE, WAS REJUVENATED IN 1985 THROUGH FLAVOR REFORMULATIONS AND CREATIVE MARKETING PROGRAMS. FANTA'S STRONG APPEAL AMONG YOUTH RESULTED IN HEALTHY GROWTH IN MANY MAJOR MARKETS, INCLUDING GERMANY.

Bottler Restructuring Fundamental to the sector's long-term international growth strategy is the strengthening of the Coca-Cola bottler system. In 1985, the Company initiated a bottler restructuring program in Germany. This program is reducing the large number of bottling territories there, thus creating a more streamlined, effective distribution and marketing system. In Great Britain, the Company reached a tentative agreement with Cadbury Schweppes PLC to form a joint venture distributorship for both companies' soft drinks in 1987. Also during the year, bottling companies in Chile and Ecuador were strengthened through restructuring activity.

Overall, the Company's aggressive marketing efforts internationally produced strong volume growth and operating income results in 1985. These results reflect the Company's continuing commitment to increase international volume growth through increasing per capita consumption, a key strategic objective in 1986 and beyond.


L.C.P.D
POLICE

The Entertainment Business Sector substantially enhanced its financial results in 1985, reaching operating income of $161 million, a 33 percent increase over 1984. Contributing to this increase were the acquisitions of Embassy Communications and Affiliates and Tandem Productions and the strong earnings of Columbia Pictures Television Group. Results from the film division, while somewhat lower than 1984's record, benefited from several successful releases near the end of the year and dramatic growth in videocassette sales.

The sector's major operations are Columbia Pictures, Columbia Pictures Television Group, Embassy Television and Embassy Telecommunications, The Walter Reade Organization and a significant interest in Tri-Star Pictures.

Activities in 1985, both existing and new ones, strongly supported the sector's growth strategies: to increase profitability without significantly increasing capital risk; to acquire and produce more filmed entertainment product; to maximize the efficient use of distribution systems; to increase participation in worldwide ancillary markets; and to enter new industry segments through acquisition.

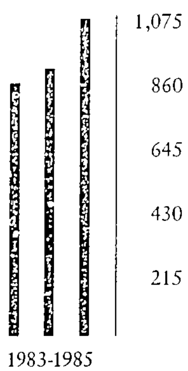
COLUMBIA PICTURES TELEVISION GROUP POSTED RECORD EARNINGS FOR A THIRD CONSECUTIVE YEAR. NEW EPISODES OF "T.J. HOOKER" WERE LICENSED TO CBS FOR LATE NIGHT BROADCAST, ENHANCING THE SERIES' SYNDICATION VALUE.

Television The sector's most profitable unit in 1985 was Columbia Pictures Television Group, which generated record earnings for the third consecutive year. The group derives its profits principally from syndication of the vast library of television shows produced and acquired over the years. In 1985, Columbia Pictures Television syndicated to stations about 50 television series. "Barney Miller," "Benson," "Hart to Hart" and "Charlie's Angels" continued to perform strongly and "Carson's Comedy Classics" made a successful first appearance on stations nationwide. Columbia Pictures Television Group also syndicates Columbia Pictures' library of approximately 2,000 motion pictures.

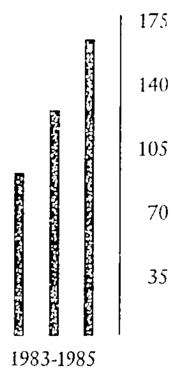
In 1985, the Company purchased from Stephen J. Cannell Productions the domestic distribution rights to two successful prime-time series, "Hardcastle and McCormick" and "Riptide," available for syndication in 1987 and 1988, respectively.

For the first time, Columbia Pictures Television developed for first-run syndication a half-hour comedy, "What's Happening

Entertainment
Net Operating Revenues
($ Millions)



Operating Income
($ Millions)



Now!!," which received solid ratings and was licensed to many television stations. In addition, a newly produced, evening version of "The Price Is Right" was licensed by The Television Program Source, a distribution partnership half owned by Columbia Pictures Television Group.

Colex Enterprises, a joint venture between the television group and LBS Communications Inc., had a successful second season in the time-bartering business. Colex provides syndicated product to stations in return for cash and advertising time, thereby participating in the advertising value of television station time.

Columbia Pictures Television, the production arm, creates virtually all formats of television programming: prime-time series, daytime series, mini-series, made-for-television movies and programs for first-run syndication and pay television. Prime-time series on the air in 1985 included "Crazy Like a Fox" on CBS and "Ripley's Believe It or Not!" on ABC. Nineteen new hours of "T.J. Hooker" were licensed to CBS for a new late-night time slot, increasing the series' syndication value. Columbia's daytime series are "Days of Our Lives" on NBC and "The Young and the Restless" on CBS. The division also produced the mini-series "Alice in Wonderland," "Robert Kennedy and His Times" and "Jenny's War" and the made-for-television movie "I Dream of Jeannie – 15 Years Later."

EXCELLENT TELEVISION PERFORMANCE WAS HIGHLIGHTED BY COLUMBIA'S PRIME-TIME SERIES "CRAZY LIKE A FOX" AND EMBASSY'S SYNDICATION OF "THE JEFFERSONS." THE SUSTAINED AUDIENCE APPEAL OF "JAGGED EDGE" MADE IT ONE OF SEVERAL SUCCESSFUL COLUMBIA FILM RELEASES.

The acquisition of Embassy provided additional important syndication and production entities for the sector. Embassy Telecommunications syndicates a valuable library that includes such series as "Archie Bunker's Place," "The Jeffersons," "One Day at a Time" and "Sanford & Son." In 1985, a large number of stations ordered "The Facts of Life," which will be available in the fall of 1986. "Silver Spoons," which will be available in 1987, achieved one of the most successful introductions ever for a half-hour comedy. Embassy Telecommunications also

syndicates domestically films previously produced or acquired by Embassy Pictures and continues to syndicate "Embassy Night at the Movies," the first and most successful nationally bartered film package.

Embassy Television is a leading producer of prime-time series, which in 1985 included the highly rated "Who's The Boss?" on ABC; "The Facts of Life," "Silver Spoons" and "227" on NBC; and "Diff'rent Strokes," which in 1985 appeared both on ABC and in syndication. Embassy Television also produced the mini-series "Kane & Abel," which generated high ratings on CBS.

Under a new agreement, Embassy Telecommunications will distribute domestically all new prime-time series produced by Reeves Communications Corporation between the fall of 1985 and June 1990. Columbia Pictures International will distribute these series outside the U.S.

EMBASSY TELEVISION HAD SEVERAL POPULAR PRIME-TIME TELEVISION SERIES ON THE AIR IN 1985, INCLUDING THE HIGHLY RATED "WHO'S THE BOSS?"

Motion Pictures Although the theatrical film business in 1985 was not as strong as expected for the industry or for Columbia Pictures, the film division generated considerable profits. Earnings were lower than in 1984 — when Columbia released "Ghostbusters," the number one hit that year — but were notably higher than in 1983.

Among 1985's successful releases were "Agnes of God," "Fright Night," "Jagged Edge," "St. Elmo's Fire" and "White Nights." In addition, Columbia generated substantial profits from its theatrical distribution services for Tri-Star Pictures, Inc.

Tri-Star Pictures, in its third year of operation, released "Rambo: First Blood Part II," the number two box-office hit of 1985 and one of many successful films for Tri-Star Pictures.

In 1985, Tri-Star Pictures successfully completed a public offering of a portion of its stock. During the year, CBS Inc. sold its interest in Tri-Star, thereby removing certain prohibitions against the studio's entering the television production and distribution business. The Coca-Cola Company purchased half of Home Box Office's Tri-Star stockholdings and now owns about 40 percent of Tri-Star Pictures' stock.

The Coca-Cola Company acquired the remaining stock of The Walter Reade Organization, Inc. that it did not previously own. Walter Reade operates 12 motion picture screens in New York City. In 1985, Columbia enhanced its position in both the music print and music publishing businesses by acquiring Belwin-Mills Publishing Corp., a major international music publisher.

"WHITE NIGHTS" WAS ONE OF SEVERAL SUCCESSFUL FILMS DISTRIBUTED BY COLUMBIA PICTURES IN 1985. OTHERS INCLUDED "ST. ELMO'S FIRE," "AGNES OF GOD" AND "FRIGHT NIGHT."

Home Video and Pay Cable The U.S. home video market continued its exceptionally strong growth in 1985, as industry sales of prerecorded videocassettes more than doubled. Columbia benefited from this growth through its 50 percent equity interest in RCA/Columbia Pictures Home Video.

The joint venture demonstrates the sector's strategy of increasing participation in ancillary markets. Columbia has licensed to the joint venture about 250 films, several of which became hits on videocassette in 1985. "Ghostbusters" became the industry's first title with a suggested retail price of $79.95 to achieve initial sales of more than 400,000 units. Other top video sellers from Columbia were "The Karate Kid," "A Soldier's Story" and "Starman." The venture also distributed a portion of Tri-Star Pictures' films on cassette.

To capitalize on two particularly fast-growing segments, RCA/Columbia Pictures Home Video introduced two new product lines, MusicVision, which serves the music video segment, and Magic Window, which markets children's videos.

Columbia and Tri-Star renegotiated and extended through 1990 their licensing agreements with Home Box Office. The sector was a leader last year in encouraging the growth of pay-per-view, an emerging entertainment segment. Columbia Pictures and Tri-Star Pictures licensed their films directly to several new pay-per-view services, and "Ghostbusters" set the revenue record for films in pay-per-view distribution.

International Operations International distribution of Columbia filmed entertainment in all media is coordinated by Columbia Pictures International. A highlight for 1985 was the extraordinary theatrical performance of "Ghostbusters," which earned gross revenues of more than $100 million at box offices outside the U.S. and Canada, and became the industry's number one international comedy.

Columbia Pictures International's television business performed well in 1985. Feature films were licensed in many countries around the world, including France, Italy, Australia and Japan. Additionally, such Columbia series as "Crazy Like a Fox," "Hart to Hart," "Ripley's Believe It or Not!" and "T.J. Hooker" were popular internationally.

Columbia Pictures International participated in the emerging international pay-television market by licensing films to new pay-television services. RCA/Columbia Pictures International Video, from which Columbia benefits both as a licensor of entertainment product and a 50 percent equity owner, experienced an excellent year in 1985.

In 1986, the Entertainment Business Sector expects to continue its strong growth record through increased involvement in film and television production and distribution, pay television and home video.

TRI-STAR PICTURES' "RAMBO: FIRST BLOOD PART II" WAS THE INDUSTRY'S NUMBER TWO BOX-OFFICE HIT OF 1985. RCA/COLUMBIA PICTURES HOME VIDEO RELEASED SEVERAL SUCCESSFUL VIDEOCASSETTES. "GHOSTBUSTERS" ACHIEVED OUTSTANDING RESULTS FOR COLUMBIA PICTURES INTERNATIONAL.


Minute
Maid

In a year of intense challenges, the Foods Business Sector took steps to build for the long term, while maintaining profitability. In a highly competitive environment, unit volume increased slightly, while operating income declined slightly from 1984 levels.

Minute Maid The sector's main product, Minute Maid orange juice, successfully retained its leadership position in the orange juice category, achieving a 22 percent share, well ahead of its nearest competitor.

Industry-wide, orange juice volume declined slightly, affected by high prices that resulted from the fourth Florida freeze in five years. In October, Coca-Cola Foods entered into a new venture that provides long-term benefits for its citrus business. The sector purchased land in Belize in Central America for citrus development to create an additional supply source for the future.

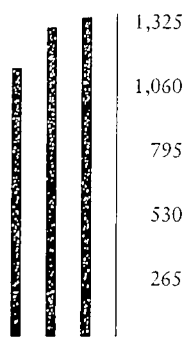
In keeping with the sector's strategy of expanding and segmenting product lines to meet varied consumer needs, Coca-Cola Foods introduced a new product under its flagship Minute Maid brand. The product, Minute Maid country style orange juice, introduced in frozen concentrated and chilled forms during the first quarter of 1985, is an improved version of the successful orange juice "with more pulp" introduced in 1983. The country style introduction, backed by an advertising campaign featuring television personality Richard Thomas and his family, drew increased attention to this high-potential segment.

Other Minute Maid products also continued to lead their categories. Minute Maid ades, which achieved record high volume in 1984, once again showed strong performance, posting a 37 percent share for the year. In addition, three new frozen concentrated products — Minute Maid grapeade, lemon-limeade and orangeade — brought additional strength to the Minute Maid brand. Further strength will come from the national rollout of Minute Maid Orange Soda, Minute Maid Lemon-Lime Soda and their diet versions, initiated in 1986 by the U.S. soft drink bottler system.

Aseptic Packaging One of the sector's most dynamic areas is the still growing aseptic segment. This category of shelf-stable juices and juice drinks has become a $360 million business since its U.S. debut

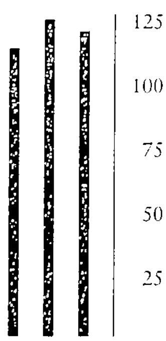
THE INTRODUCTION OF MINUTE MAID COUNTRY STYLE ORANGE JUICE HELPED THE MINUTE MAID BRAND MAINTAIN LEADERSHIP OF THE COMPETITIVE U.S. ORANGE JUICE BUSINESS.

Foods
Net Operating Revenues
($ Millions)



1983-1985

Operating Income
($ Millions)



1983-1985

in 1981, and shows little sign of peaking.

To capitalize on this growth, the sector has invested approximately $30 million in aseptic packaging equipment in the past four years. Coca-Cola Foods, which markets aseptically packaged Minute Maid juices and fruit punch, Hi-C fruit drinks and Five Alive beverages, leads the category with a 35 percent share of the segment, up from 30 percent in 1984.

The sector continued to expand its aseptic business in line with its strategy of growing faster than the markets in which it does business. In 1985, Coca-Cola Foods successfully launched three Hi-C fruit drink products in aseptic packages: candy apple cooler, double fruit cooler and lemonade.

Another step in building this segment was the successful introduction of nine-pack versions of the most popular aseptically packaged products. Aseptics provided the major impetus for the growth of the overall Hi-C fruit drink business. Also, the Hi-C brand remains the undisputed leader of the 46-ounce segment.

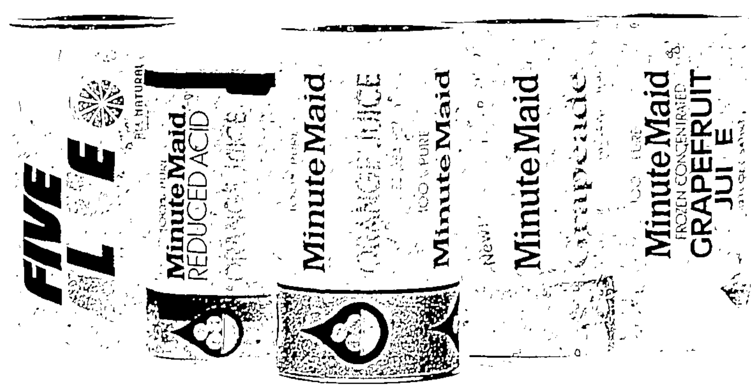
Another addition to the aseptic shelf was Five Alive tropical citrus beverage, the third flavor in the Five Alive line of five-fruit beverages. Five Alive tropical citrus products were also introduced in frozen concentrated and chilled versions.

New Categories In 1985, Coca-Cola Foods expanded into new, complementary business areas that will allow the sector to leverage existing trademarks and take advantage of marketing and distribution strengths.

The primary accomplishment was the acquisition of Nutri-Foods Int'l., Inc., a producer and marketer of frozen juice-based desserts. The purchase, completed in December, opened the way for participation in the rapidly growing frozen novelty and dessert category. Minute Maid Fruit Juicee, the first product resulting from the merger, was introduced nationally in the first weeks of 1986.

Coca-Cola Foods also entered a new category with the introduction of Bacardi

The Company's leadership in the grocery freezer features Five Alive citrus beverage and products of the Minute Maid brand, including reduced acid orange juice, frozen concentrated orange juice, grapeade and grapefruit juice.



tropical fruit mixers. Test marketed in 1985, the mixers are produced by Coca-Cola Foods under a marketing agreement with Bacardi Imports and Bacardi & Company Ltd. These non-alcoholic, frozen concentrated mixers, in daiquiri, strawberry daiquiri, mai tai punch and piña colada flavors, are the first major branded products within the category. Consumer response so far has been excellent.

Expanded Distribution The sector also generated new business by expanding into new channels of distribution in 1985. In the U.S., Coca-Cola Foods began marketing aseptically packaged juices and drinks in vending machines placed at schools and fitness facilities.

In Canada, Coca-Cola Foods Canada Inc. laid the foundation for significant sales expansion with the introduction of chilled Minute Maid orange juice, Five Alive tropical citrus beverage and Minute Maid diet lemonade sweetened with NutraSweet. A new manufacturing facility, the first Coca-Cola Foods operation outside the U.S., supports the growth of this important market.

In Puerto Rico, a new processing facility was completed in January 1986 to serve the Caribbean market, also a promising area for growth.

As the sales leader of aseptically packaged fruit drinks, the Company continued to extend the number of products of its Hi-C, Minute Maid and Five Alive brands in aseptic packages, which have proved popular with youngsters.

Food Service, Coffee, Bottled Water Since 1980, the sector's food service citrus/beverage business has more than doubled, spurred in part by the increasing popularity of fast-food breakfasts. Major accomplishments in 1985 included a contract with Wendy's International, Inc. to serve Minute Maid orange juice in its company-owned stores.

The coffee unit's national food service

business also grew faster than the industry average, supported by new products including Flavormark high-yield coffee. Volume in the retail coffee business, which includes two regional brands, Maryland Club and Butter-Nut, increased 5 percent over 1984.

Belmont Springs Water Company, Inc. continued to grow, increasing revenues by 17 percent in 1985. Belmont, the largest bottled water company in New England, serves Boston and the surrounding areas.

In line with the corporate strategy to focus assets on branded consumer products, Presto Products Incorporated and Winkler/Flexible Products, Inc., makers of private-label plastic products, were sold to a group that includes existing Presto and Winkler/Flexible management. The sale resulted in a net gain of $36 million for The Coca-Cola Company.

For the future, the Foods Business Sector anticipates growth higher than industry averages from both its primary businesses and its new products and distribution areas. Renewed growth is expected for the orange juice category in 1986, as worldwide citrus supplies increase. At year end, Coca-Cola Foods led the industry in reducing retail orange juice prices by approximately 25 percent on frozen concentrated and chilled orange juice, bringing new enthusiasm to the category from both retailers and consumers.

The aseptic packaging segment and citrus and coffee food service businesses also are expected to continue their strong growth, and the frozen dessert and novelty business offers significant new potential.

For 1986 and beyond, the sector projects continued growth through expansion into new markets, both through innovative internal product development and ongoing exploration of new business arenas where the trademarks and distribution systems of Coca-Cola Foods can be leveraged to significant advantage.

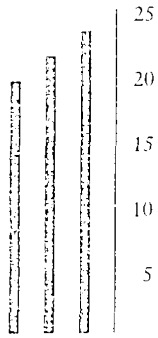
NEW BUSINESS VENTURES FOR COCA-COLA FOODS INCLUDED THE SUCCESSFUL TEST MARKETING OF BACARDI FROZEN CONCENTRATED TROPICAL FRUIT MIXERS AND, THROUGH THE ACQUISITION OF NUTRI-FOODS INT'L., INC., THE 1986 ENTRY OF MINUTE MAID FRUIT JUICEE INTO THE GROWING FROZEN JUICE-BASED DESSERT BUSINESS.

Financial Report

BUSINESS OBJECTIVES AND STRATEGY

Management's primary objective is to increase shareholder value. To accomplish this objective, The Coca-Cola Company and subsidiaries (the "Company") have developed a comprehensive business Strategy which emphasizes increasing returns on shareholders' equity by increasing investments in areas offering attractive returns, divesting low return assets and maintaining appropriate financial policies.

Return on Shareholders' Equity (%)
(Income from Continuing Operations to Average Shareholders' Equity)



1983-1985

Operations

The Company operates in three markets: Soft Drinks, Entertainment and Foods, each of which is consumer-oriented and offers attractive rates of returns. To achieve the objective of increasing the return on shareholders' equity, the Company focuses on maximizing unit volume growth and utilization of its distribution systems.

Soft Drinks: A principal goal for the Soft Drink Business Sectors is to increase unit volume at rates in excess of the respective industry rates. In the United States, the Company seeks to achieve this goal by expanding its product line, strengthening its bottler system and continuing its aggressive marketing programs. In 1985, investment in the Coca-Cola megabrand was designed to expand and create new categories in response to diversified consumer preferences.

Outside the United States, the Company focuses on product availability, affordability and acceptability to increase international per capita soft drink consumption, which was 15% of the United States rate in 1985. Increased product availability is achieved through expanding fountain and vending penetration and implementation of the bottler restructuring program overseas. Tactical pricing and larger packaging sizes will improve product affordability, while marketing will emphasize the acceptability of soft drinks as the beverage for all occasions, at all times of the day.

Entertainment: A key goal of the Entertainment Business Sector is to leverage its motion picture and television distribution systems and increase its library of television programs. The Company participates in several equity and prelicensing arrangements to finance its motion pictures. These arrangements moderate the financial risk of film production. In 1985, the Company purchased certain assets and properties of Embassy Communications and Affiliates and Tandem Productions, producers and distributors of television programs. These acquisitions greatly expand the products available for present and future syndication.

Foods: Following a strategy of product and package segmentation, the Foods Business Sector increases unit volume by layering new products into its existing distribution systems. The growth of Minute Maid orange juice volume is being expanded by the introduction of country style and reduced acid orange juices, and new flavors are being added to the Hi-C brand. In 1985, the Company acquired Nutri-Foods Int'l., Inc., a manufacturer of frozen juice-based dessert products. These strategic actions maximize utilization of the foods sector distribution system.

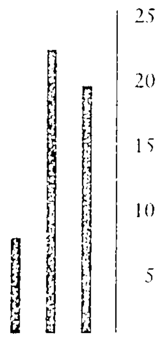
Financial

Management of Resources: A key element of the Company's Strategy is to concentrate its resources in consumer markets offering strategic fit, attractive returns and high growth potential. Management seeks solid investments that strategically enhance existing operations and offer long-term cash returns which exceed the Company's overall cost of capital. For investments with risk characteristics similar to the soft drink industry, that cost of capital is estimated by management to be approximately 14% after taxes at our target debt to total capital ratio.

Total financial management requires optimization of all assets and resources, including divestiture of low-return assets in order to invest in higher return opportunities. In 1985, management converted almost one billion dollars in entertainment accounts receivable and contract rights to cash. The Company also sold Presto Products, Incorporated, and Winkler/Flexible Products, Inc., manufacturers of plastic products. These businesses operate in private-label markets and did not offer a strategic fit with the Company's primary lines of business. The proceeds from these transactions are being invested in more profitable areas of the business.

The Company's emphasis on profitable growth is reflected in the level of investment spending. In 1985, the Company's capital reinvestment approximated $497 million excluding fixed assets of purchased companies. This reinvestment was allocated as follows: soft drink sectors—58%; foods sector—23%; entertainment sector—3%; corporate—16%. The soft drink sectors invested primarily in fountain sales equipment and distribution equipment for Company-owned bottling operations. The foods sector has made significant investments in Tetra Brik aseptic packaging equipment to support the continued growth in this area.

Debt to Capital (%)
(Net of Excess Cash and Marketable Securities)



1983-1985

The Company repurchased 5 million shares of its common stock in 1985 and 6.1 million shares in 1984. The repurchases increased return on equity by approximately 3 percentage points and earnings per share by 12 cents in 1985. These repurchases were initiated after management determined that for the near term the Company's available cash and debt capacity would exceed the funds required to support the business and for anticipated investments. Management plans to consider future share repurchases as appropriate business and cash flow circumstances arise.

Capital Structure: One of the Company's financial goals is to maintain a strong financial position while utilizing prudent amounts of long-term debt. In 1985, a $100 million long-term debt offering with a stated interest rate of 9⅞% was issued by the Company in the European market. At December 31, 1985, total debt, net of excess cash and current marketable securities, represented 18.8% of total capital. In the future, the Company envisions increasing the use of such debt in order to fund attractive investment opportunities. This financing policy is aimed at increasing the return on shareholders' equity and the total return to shareholders.

Dividends: With approval from the Board of Directors, management plans to increase the percentage of earnings reinvested in the business by raising dividends

annually at a rate lower than the prior year's growth in earnings per share, thus decreasing over time the dividend payout ratio. The annual dividend was $2.96 per share, $2.76 per share and $2.68 per share in 1985, 1984 and 1983, respectively. At its February 1986 meeting, the Board of Directors increased the quarterly per share dividend to $0.78, equivalent to a full year dividend of $3.12 in 1986. This is the 24th consecutive year in which the Board of Directors has approved dividend increases.

The above actions illustrate management's efforts to achieve its objective of enhancing the value of the shareholders' investment in The Coca-Cola Company.

Management's Discussion and Analysis

Lines of Business

The Company operates three major lines of business:

The Soft Drink Business Sectors manufacture and sell soft drink syrups and concentrates to independent bottling and canning operations and approved wholesalers. The Company also owns bottling and canning operations which represent approximately 11% of worldwide volume of syrup and concentrate.

The Entertainment Business Sector is engaged in the production and distribution of theatrical motion pictures, television series, television features and other entertainment related activities.

The Foods Business Sector's principal business is processing and marketing a variety of fruit juices and fruit drink products. The sector also sells coffee, tea and bottled water.

In 1985, the Company sold Presto Products, Incorporated, and Winkler/Flexible Products, Inc., manufacturers of plastic products; in 1983, the Company sold The Wine Spectrum. The operating results for these companies have been reported as discontinued operations.

Operating Results

Soft Drinks: Revenues and operating income for the Soft Drink Business Sectors increased in 1985 and 1984 primarily because of unit volume increases of 10% and 6%, respectively. Volume increased significantly for diet Coke and Sprite in both years. In 1985, the Company introduced a new taste for Coca-Cola; a new product, Coca-Cola classic, with the original formula; and cherry Coke. Combined volume for these sugar cola products exceeded volume for Coca-Cola during 1984 by 8%.

Approximately 62% of soft drink sales volume is generated outside the United States. In 1985 and 1984, soft drink revenue increases were adversely affected by lower foreign exchange rates. As exchange rates decline, local currency revenues translate into fewer United States dollars. In addition, in both years soft drink revenues were adversely affected by lower sweetener prices. The price of Coca-Cola syrup sold to bottlers in the United States is adjusted quarterly for changes in the market price of

sweeteners. While affecting revenues, this practice minimizes the effects of sweetener prices on gross profit per unit.

Lower foreign exchange rates also adversely affected operating income in 1985 and 1984. Operating income in 1985 was further moderated by increased marketing expenditures incurred to seed firmly the products of megabrand Coca-Cola in the United States and Canada.

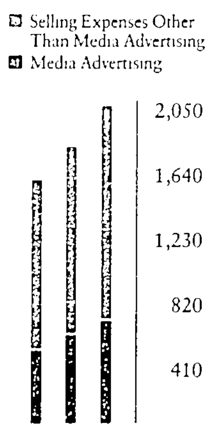
Entertainment: Increases in revenues and operating income for the Entertainment Business Sector in 1985 resulted primarily from television syndication, including the initial syndication of "Carson's Comedy Classics." The syndications of "The Jeffersons" and "Diff'rent Strokes" by Embassy Telecommunications, acquired in August 1985, also contributed to revenues and operating income. Successful motion picture releases during 1985 included "St. Elmo's Fire" and "Jagged Edge." Profits were also derived from the distribution of Tri-Star Pictures, Inc.'s releases, particularly "Rambo: First Blood Part II."

In 1984, the increases in revenues and operating income for the entertainment sector were due principally to profitable motion picture releases and television syndications and the licensing of various library programs in Germany. Successful motion picture releases included "Ghostbusters" and "The Karate Kid." Television revenues and operating income benefited from the initial syndication of "Benson" and "Hart to Hart."

Foods: Citrus is the dominant business in the Foods Business Sector. Though revenues increased in 1985, operating income in the citrus business was adversely affected by increased trade deals and consumer promotions in response to intense industry competition. Revenues and operating income increased in the other divisions of the foods sector in relation to general volume increases.

Increases in 1984 revenues and operating income compared to the prior year were due primarily to citrus products, which reported modest price increases.

Total Selling Expenses
($ Millions)



Selling, Administrative and General Expenses

Selling expenses, including media advertising, were $2.03 billion in 1985, $1.73 billion in 1984 and $1.51 billion in 1983. Expenditures for media advertising, excluding amounts capitalized as film production costs, were $630 million in 1985, $535 million in 1984 and $463 million in 1983. An additional $118 million, $108 million and $103 million of media spending were capitalized in 1985, 1984 and 1983, respectively, in film costs in accordance with film industry accounting standards. The 1985 increase in media advertising expense was due to increased marketing and promotional expenditures, some of which related to the introductions of Coke with changed taste components and Coca-Cola classic and the national rollout of cherry Coke.

Administrative and general expenses increased 15.4% in 1985, compared to 4.2% in 1984, primarily because of expansion of the business and increases in employee related expenses. Such expenses, as a percentage of net operating revenues, remained relatively stable at about 8% over the three years ended December 31, 1985.

Interest Income and Expense

Interest income increased by $19 million in 1985 and $46 million in 1984, due to higher average invested balances.

Increases in interest expense of $45 million in 1985 and $51 million in 1984 were due to increases in average total debt. The increases in debt were related to the acquisition of various bottling operations, the share repurchase program and increased investment in working capital.

Other Income and Deductions

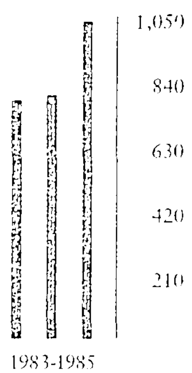
The increase in other income (net) in 1985 was due to gains resulting from changes in exchange rates and the sales of certain equity investments in various partially owned bottling operations. Gains on the sales of capital stock of bottling companies located in Philadelphia, New York, Indianapolis, Chicago and other locations totalled approximately $67 million.

The increase in other income (net) in 1984 was due principally to gains from the sales of Ronco Enterprises, Inc., and bottling operations in Australia and Japan. This increase was partially offset by losses resulting from declines in foreign exchange rates.

Liquidity and Capital Resources

At December 31, 1985, cash and marketable securities totalled $865 million, an increase of $83 million over the prior year. The Company's principal source of cash continues to be funds provided by operations. In 1985, the sale of certain entertainment contract rights, as described in Note 12, was also a major source. Cash provided by operations was $1,044 million in 1985, $781 million in 1984 and $766 million in 1983. The primary uses of cash were dividends and capital expenditures for each of the three years in the period ended December 31, 1985. The repurchase of common stock was also a major use of cash in 1985 and 1984, and the acquisition of certain assets and properties of Tandem Productions was a major use in 1985.

Net Cash Provided by Operations
($ Millions)



In 1985, the Company issued $100 million in long-term debt. Also in 1985, loans and notes payable decreased over $110 million. The Company maintains cash and current marketable securities substantially in excess of minimum operating requirements. The percentage of total debt, net of cash and current marketable securities in excess of minimum operating needs, to total capital was as follows:

December 31, 1985: 18.8% (net of an estimated $625 million of cash and current marketable securities in excess of minimum operating requirements)

December 31, 1984: 21.5% (net of an estimated $600 million of cash and current marketable securities in excess of minimum operating requirements)

The Company's total cash and marketable securities was $782 million at December 31, 1984, a $171 million increase over 1983. This increase was due principally to the increases in loans and notes payable and long-term debt.

At December 31, 1985, investments amounted to $471 million, an increase of $136 million over 1984. This increase is due primarily to the acquisitions of Nutri-Foods Int'l., Inc., and certain operations of Embassy Communications and Affiliates and Tandem Productions, which are temporarily reported on the equity method. Entertainment obligations increased $95 million in 1985,

primarily as a result of the acquisitions of Embassy Communications and Affiliates and Tandem Productions.

The Company maintains credit lines at various financial institutions. At December 31, 1985, the unused portion of the credit lines was $560 million.

Capital expenditures in 1985, 1984 and 1983 were $542 million, $391 million and $384 million, respectively, and related principally to capacity expansion, improved efficiency and fixed assets of purchased companies.

International Operations

The Company distributes its products in over 155 countries and uses approximately 40 functional currencies. The United States dollar is used as the functional currency in countries considered to have hyperinflationary economies, such as Brazil and Mexico.

Approximately 50% of total operating income is generated outside the United States. Management estimates that the average annual exchange rates of selected key hard currencies versus the United States dollar weakened by an average of 9% in both 1985 and 1984. As the United States dollar strengthens, foreign currency operating results are translated into fewer United States dollars.

Percentage (decreases) increases in average exchange rates for several of the selected foreign hard currencies are as follows:

	1985	1984	1983
Germany	(3)%	(11)%	(5)%
Japan	1 %	(1)%	4 %
South Africa	(34)%	(23)%	(2)%
United Kingdom	(2)%	(12)%	(13)%
Australia	(20)%	(2)%	(13)%

Exchange effects, i.e., gains (losses) on foreign currency transactions and translation of balance sheet accounts in hyperinflationary countries, were $27 million in 1985, $(18) million in 1984 and $9 million in 1983. Such amounts are included in other income (net of other deductions) in the consolidated statements of income.

In general, the Company does not enter into forward exchange contracts to hedge its net investment in foreign operations. The Company does, however, engage in various hedging activities to minimize potential losses on cash flows denominated in foreign currencies and to offset foreign exchange movements on firm commitments and certain other transactions where potential for loss exists.

Additional Information

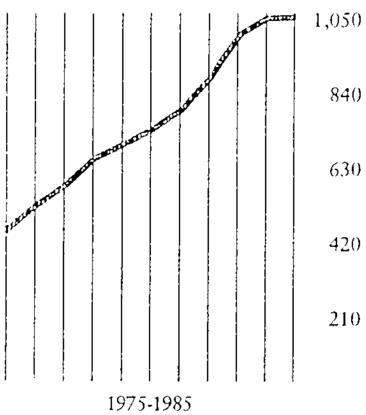
For additional information concerning the Company's operations, cash flow, liquidity and capital sources, this analysis should be read in conjunction with the Letter to Shareholders and the information on pages 40 through 50 of this Annual Report. For information relating to the effects of inflation on the operations of the Company see pages 52 and 53, "Supplemental Information on the Effects of Changing Prices." Additional information concerning operations in different industries and different geographic areas is presented on pages 49 and 50.

SELECTED FINANCIAL DATA
(In millions except per share data)

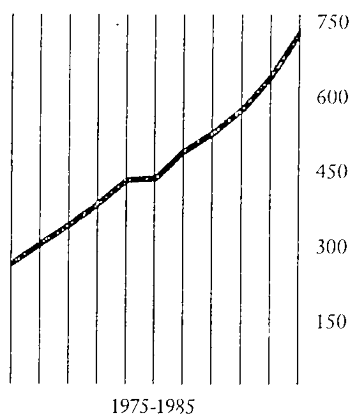
Year Ended December 31,		1985	1984	1983
Summary of Operations (a,b)	Net operating revenues	$7,904	$ 7,152	$6,641
	Cost of goods and services	4,194	3,823	3,618
	Gross profit	3,710	3,329	3,023
	Selling, administrative and general expenses	2,665	2,287	2,041
	Operating income	1,045	1,042	982
	Interest income	148	129	83
	Interest expense	168	123	72
	Other income (deductions)—net	68	7	(2)
	Income from continuing operations before income taxes	1,093	1,055	991
	Income taxes	415	433	438
	Income from continuing operations	$ 678	$ 622	$ 553
	Net income	$ 722	$ 629	$ 559
Per Share Data (d)	Income from continuing operations	$ 5.17	$ 4.70	$ 4.06
	Net income	5.51	4.76	4.10
	Dividends	2.96	2.76	2.68
Year-End Position	Cash and marketable securities	$ 865	$ 782	$ 611
	Property, plant and equipment—net	1,884	1,623	1,561
	Total assets	6,898	5,958	5,228
	Long-term debt	889	740	513
	Total debt	1,315	1,363	620
	Shareholders' equity	2,979	2,778	2,921
	Total capital (e)	4,294	4,141	3,541
Financial Ratios	Income from continuing operations to net operating revenues	8.6%	8.7%	8.3%
	Income from continuing operations to average shareholders' equity	23.5%	21.8%	19.4%
	Total debt to total capital	30.6%	32.9%	17.5%
	Dividend payout	53.7%	58.0%	65.3%
Other Data	Average shares outstanding (d)	131	132	136
	Capital expenditures	$ 542	$ 391	$ 384
	Depreciation	178	159	147
	Market price per share at December 31 (d)	84.50	62.375	53.50

Notes: (a) Operating results for 1975-1984 have been restated to exclude the results of Presto Products, Incorporated, and Winkler/Flexible Products, Inc., which were sold in December 1985 and accounted for as discontinued operations.
(b) In June 1982, the Company acquired Columbia Pictures Industries, Inc., in a purchase transaction.

Operating Income
($ Millions)



Net Income
($ Millions)



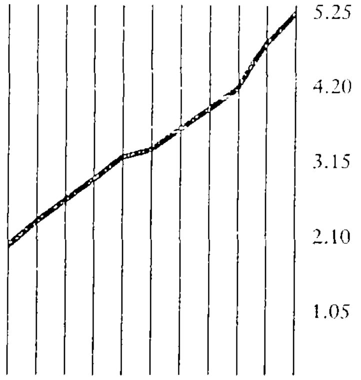
1982(c)	1981	1980	1979	1978	1977	1976	1975
$5,862	$5,540	$ 5,327	$4,472	$ 3,938	$3,265	$2,877	$ 2,726
3,189	3,062	2,988	2,431	2,148	1,790	1,574	1,598
2,673	2,478	2,339	2,041	1,790	1,475	1,303	1,128
1,810	1,706	1,620	1,367	1,159	915	802	689
863	772	719	674	631	560	501	439
106	70	40	36	35	29	29	22
74	38	35	10	7	6	6	6
7	(23)	(10)	(2)	(14)	(10)	(4)	(8)
902	781	714	698	645	573	520	447
408	349	320	312	294	263	242	214
$ 494	$ 432	$ 394	$ 386	$ 351	$ 310	$ 278	$ 233
$ 512	$ 482	$ 422	$ 420	$ 375	$ 331	$ 294	$ 249
$ 3.81	$ 3.50	$ 3.19	$ 3.13	$ 2.84	$ 2.52	$ 2.25	$ 1.89
3.95	3.90	3.42	3.40	3.03	2.68	2.38	2.02
2.48	2.32	2.16	1.96	1.74	1.54	1.325	1.15
$ 261	$ 340	$ 231	$ 149	$ 321	$ 350	$ 364	$ 389
1,539	1,409	1,341	1,284	1,065	887	738	647
4,923	3,565	3,406	2,938	2,583	2,254	2,007	1,801
462	137	133	31	15	15	11	16
583	232	228	139	69	57	52	42
2,779	2,271	2,075	1,919	1,740	1,578	1,434	1,302
3,362	2,503	2,303	2,058	1,809	1,635	1,486	1,344
8.4%	7.8%	7.4%	8.6%	8.9%	9.5%	9.7%	8.5%
19.6%	19.9%	19.7%	21.1%	21.2%	20.6%	20.3%	18.7%
17.3%	9.3%	9.9%	6.8%	3.8%	3.5%	3.5%	3.1%
62.8%	59.5%	63.2%	57.6%	57.4%	57.5%	55.7%	56.9%
130	124	124	124	124	123	123	123
$ 382	$ 330	$ 293	$ 381	$ 306	$ 264	$ 191	$ 145
138	128	123	103	86	76	66	63
52.00	34.75	33.375	34.50	43.875	37.25	39.50	41.125

(c) In 1982, the Company adopted Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation."

(d) Adjusted for a two-for-one stock split in 1977.

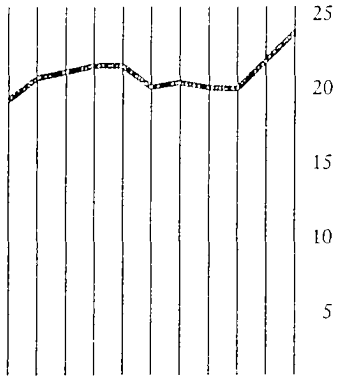
(e) Includes shareholders' equity and total debt.

Income Per Share From Continuing Operations ($)



1975-1985

Return on Shareholders' Equity (%)



1975-1985

Consolidated Balance Sheets
(In thousands except share data)

Assets		December 31, 1985	1984
Current	Cash	$ 495,672	$ 307,564
	Marketable securities, at cost (approximates market)	369,491	474,575
		865,163	782,139
	Trade accounts receivable, less allowances of $19,479 in 1985 and $20,670 in 1984	897,200	872,332
	Inventories and film costs	913,293	740,063
	Prepaid expenses and other assets	294,628	241,326
	Total Current Assets	2,970,284	2,635,860
Investments, Film Costs and Other Assets	Investments (principally investments in affiliates)	470,575	334,220
	Film costs	536,112	341,662
	Receivables and other assets	364,581	408,324
		1,371,268	1,084,206
Property, Plant and Equipment	Land	139,450	130,883
	Buildings and improvements	771,088	645,150
	Machinery and equipment	1,742,118	1,518,264
	Containers	358,354	337,993
		3,011,010	2,632,290
	Less allowances for depreciation	1,127,301	1,009,715
		1,883,709	1,622,575
Goodwill and Other Intangible Assets		672,445	615,428
		$6,897,706	$5,958,069

Liabilities and Shareholders' Equity		December 31, 1985	1984
Current	Accounts payable and accrued expenses	$1,108,964	$1,020,807
	Loans and notes payable	391,629	502,216
	Current maturities of long-term debt	34,495	120,300
	Entertainment obligations	215,249	192,537
	Accrued taxes—including income taxes	253,507	186,942
	Total Current Liabilities	2,003,844	2,022,802
Entertainment Obligations		270,676	175,234
Long-Term Debt		889,201	740,001
Deferred Income Taxes		320,832	241,966
Deferred Entertainment Revenue		434,096	—
Shareholders' Equity	Common stock, no par value— Authorized: 180,000,000 shares in 1985 and 1984; Issued: 137,699,566 shares in 1985 and 137,263,936 shares in 1984	69,227	69,009
	Capital surplus	602,617	532,186
	Reinvested earnings	3,092,255	2,758,895
	Foreign currency translation adjustment	(181,440)	(234,811)
		3,582,659	3,125,279
	Less treasury stock, at cost (9,039,031 shares in 1985; 6,438,873 shares in 1984)	603,602	347,213
		2,979,057	2,778,066
		$6,897,706	$5,958,069

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share data)

Year Ended December 31,	1985	1984	1983
Net Operating Revenues	$7,903,904	$7,151,826	$6,640,759
Cost of goods and services	4,193,557	3,822,637	3,617,699
Gross Profit	3,710,347	3,329,189	3,023,060
Selling, administrative and general expenses	2,664,945	2,287,041	2,041,257
Operating Income	1,045,402	1,042,148	981,803
Interest income	147,523	128,823	82,877
Interest expense	167,822	122,983	72,145
Other income (deductions)—net	67,746	6,841	(2,025)
Income From Continuing Operations Before Income Taxes	1,092,849	1,054,829	990,510
Income taxes	415,283	433,071	437,566
Income From Continuing Operations	677,566	621,758	552,944
Income from discontinued operations (net of applicable income taxes of $7,870 in 1985, $6,144 in 1984 and $4,920 in 1983)	9,000	7,060	5,843
Gain on disposal of discontinued operations (net of applicable income taxes of $20,252)	35,733	—	—
Net Income	$ 722,299	$ 628,818	$ 558,787
Per Share			
Continuing operations	$ 5.17	$ 4.70	$ 4.06
Discontinued operations	.34	.06	.04
Net income	$ 5.51	$ 4.76	$ 4.10
Average Shares Outstanding	131,118	132,210	136,222

See Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity
(In thousands except per share data)

	Number of Shares		Amount				
Three Years Ended December 31, 1985	Common Stock	Treasury Stock	Common Stock	Capital Surplus	Reinvested Earnings	Foreign Currency Translation	Treasury Stock
Balance January 1, 1983	136,100	359	$68,427	$478,308	$2,300,217	$ (54,486)	$ (13,812)
Sales to employees exercising stock options and appreciation rights	387	—	194	13,327	—	—	—
Tax benefit from sale of option shares by employees	—	—	—	1,616	—	—	—
Translation adjustments (net of income taxes of $13,346)	—	—	—	—	—	(76,154)	—
Treasury stock issued in connection with an acquisition	—	(58)	—	(1,847)	—	—	2,258
Stock issued under Restricted Stock Award Plan	167	—	83	8,627	—	—	—
Net income	—	—	—	—	558,787	—	—
Dividends (per share—$2.68)	—	—	—	—	(364,789)	—	—
Balance December 31, 1983	136,654	301	68,704	500,031	2,494,215	(130,640)	(11,554)
Sales to employees exercising stock options and appreciation rights	316	—	158	10,931	—	—	—
Tax benefit from sale of option shares by employees	—	—	—	2,557	—	—	—
Translation adjustments (net of income taxes of $2,950)	—	—	—	—	—	(104,171)	—
Stock issued under Restricted Stock Award Plan	294	—	147	18,667	—	—	—
Treasury stock purchased	—	6,138	—	—	—	—	(335,659)
Net income	—	—	—	—	628,818	—	—
Dividends (per share—$2.76)	—	—	—	—	(364,138)	—	—
Balance December 31, 1984	137,264	6,439	69,009	532,186	2,758,895	(234,811)	(347,213)
Sales to employees exercising stock options and appreciation rights	342	(41)	171	13,647	—	—	1,552
Tax benefit from sale of option shares by employees	—	—	—	3,492	—	—	—
Translation adjustments (net of income taxes of $841)	—	—	—	—	—	53,371	—
Treasury stock issued in connection with an acquisition	—	(2,359)	—	46,653	—	—	121,989
Stock issued under Restricted Stock Award Plan	94	—	47	6,639	—	—	—
Treasury stock purchased	—	5,000	—	—	—	—	(379,930)
Net income	—	—	—	—	722,299	—	—
Dividends (per share—$2.96)	—	—	—	—	(388,939)	—	—
Balance December 31, 1985	137,700	9,039	$69,227	$602,617	$3,092,255	$(181,440)	$(603,602)

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION (In thousands)

Year Ended December 31,		1985	1984	1983
Operations	Income from continuing operations	$ 677,566	$ 621,758	$ 552,944
	Depreciation	178,123	159,083	147,129
	Amortization			
	Goodwill	17,740	16,705	16,056
	Noncurrent film costs	138,965	136,714	57,167
	Deferred income taxes	94,790	84,473	11,643
	Other	14,222	18,381	25,258
	Discontinued operations	53,573	15,222	21,779
	Working capital provided by operations	1,174,979	1,052,336	831,976
	Decrease (increase) in working capital	24,429	(45,504)	32,635
	Net additions to noncurrent film costs	(155,405)	(225,764)	(98,319)
	Cash provided by operations	1,044,003	781,068	766,292
	Increase in deferred entertainment revenue	434,096	—	—
	Decrease (increase) in investments and other assets	122,466	(259,953)	(19,361)
	Additions to property, plant and equipment	(496,994)	(338,929)	(376,197)
	Disposals of property, plant and equipment	35,929	67,161	34,972
	Increase (decrease) in noncurrent entertainment obligations	32,378	(50,895)	35,721
	Other	27,256	(22,241)	(2,595)
	Net cash invested in operations	(278,965)	(604,857)	(327,460)
	Net cash available from operations	1,199,134	176,211	438,832
Financing Activities	Increase (decrease) in loans and notes payable and current portion of long-term debt	(196,097)	510,260	(15,220)
	Increase in long-term debt	186,502	347,099	71,181
	Decrease in long-term debt	(34,495)	(120,300)	(20,783)
	Common stock issued (includes treasury)	194,190	32,460	22,000
	Repurchase of common stock	(379,930)	(335,659)	—
	Cash provided by (used for) financing activities	(229,830)	433,860	57,178
Acquisitions and Discontinued Operations	Acquisitions of purchased companies			
	Net working capital	(127,899)	32,070	(1,847)
	Property, plant and equipment—net	(44,994)	(51,829)	(7,439)
	Other assets, net of other liabilities	(320,817)	69	583
	Goodwill	(60,611)	(55,573)	(7,480)
	Discontinued operations			
	Net working capital	29,209	—	145,530
	Net long-term assets (including property, plant and equipment)	27,771	—	89,990
	Resources provided by (used for) acquisitions and discontinued operations	(497,341)	(75,263)	219,337
Dividends		(388,939)	(364,138)	(364,789)
Cash and Current Marketable Securities	Net increase during the year	83,024	170,670	350,558
	Balance at beginning of year	782,139	611,469	260,911
	Balance at end of year	$ 865,163	$ 782,139	$ 611,469

See Notes to Consolidated Financial Statements.

1. Accounting Policies. The major accounting policies and practices followed by the Company and its subsidiaries are as follows:

Consolidation: The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries except for Coca-Cola Financial Corporation (CCFC). All significant intercompany accounts and transactions are eliminated in consolidation. CCFC, a wholly owned finance subsidiary, initiated operations in 1984 and is accounted for under the equity method. CCFC's operations for 1985 and 1984 were not significant to the consolidated financial statements.

Inventories and Film Costs: Inventories are valued at the lower of cost or market. In general, inventories are valued on the basis of average cost or first-in, first-out (FIFO) methods. However, certain soft drink and citrus inventories are valued on the last-in, first-out (LIFO) method. The excess of current costs over LIFO stated values amounted to approximately $38 million and $54 million at December 31, 1985 and 1984, respectively.

Film costs include film production, print, pre-release and other advertising costs expected to benefit future periods, accrued profit participations and capitalized interest. The individual film forecast method is used to amortize these costs based on the revenues recognized in proportion to management's estimate of ultimate revenues to be received. Based on the Company's estimate of revenues as of December 31, 1985, approximately 72% of unamortized film costs are expected to be amortized over the next three years.

The costs of feature and television films are classified as current assets to the extent such costs are expected to be recovered through the respective primary markets; remaining costs relating to film production are classified as noncurrent.

Revenues from theatrical exhibition of feature films are recognized on the dates of exhibition. Revenues from television licensing agreements are recognized when films are available for telecasting. Cash collected in advance of the time of availability is recorded as deferred entertainment revenue. Motion picture revenues are derived from the following markets: domestic and foreign theater, home video, pay television, network television and independent broadcast television. The Company's average revenue recognition cycle for motion pictures is approximately seven years.

Property, Plant and Equipment: Property, plant and equipment is stated at cost, less allowance for depreciation, except that foreign subsidiaries carry bottles and shells in service at amounts (less than cost) which generally correspond with deposit prices obtained from customers. Approximately 95% of depreciation expense was determined by the straight-line method for the year ended December 31, 1985, and approximately 92% for the years ended December 31, 1984 and 1983. The annual rates of depreciation are 2% to 10% for buildings and improvements and 7% to 34% for machinery and equipment. Investment tax credits are accounted for by the flow-through method.

Capitalized Interest: Interest capitalized as part of the cost of acquisition, construction or production of major assets (including film costs) was $35 million, $26 million and $18 million in 1985, 1984 and 1983, respectively.

Goodwill and Other Intangible Assets: Goodwill and other intangible assets are stated on the basis of cost and, if acquired subsequent to October 31, 1970, are being amortized, principally on a straight-line basis, over the estimated future periods to be benefited (not exceeding 40 years). Accumulated amortization amounted to $73 million and $57 million at December 31, 1985 and 1984, respectively.

2. Inventories and Film Costs are comprised of the following (in thousands):

	December 31, 1985	1984
Finished goods	$318,153	$284,711
Work in process	17,374	17,154
Raw materials and supplies	366,797	341,098
Film costs (includes in process costs of $51,901 in 1985 and $31,043 in 1984)	210,969	97,100
	$913,293	$740,063
Noncurrent—Film costs		
Completed	$411,110	$192,877
In process	125,002	148,785
	$536,112	$341,662

3. Short-Term Borrowings and Credit Arrangements. Loans and notes payable consist of commercial paper and notes payable to banks and other financial institutions of $392 million and $502 million at December 31, 1985 and 1984, respectively.

Under lines of credit and other credit facilities for short-term debt with various financial institutions, the Company, including CCFC, may borrow up to $671 million. These lines of credit are subject to normal banking terms and conditions. At December 31, 1985, the unused portion of the credit lines was $560 million. Some of the financial arrangements require compensating balances which are not material.

4. Accounts Payable and Accrued Expenses are composed of the following amounts (in thousands):

	December 31, 1985	1984
Trade accounts payable	$ 969,150	$ 878,564
Deposits on bottles and shells	51,472	47,848
Other	88,342	94,395
	$1,108,964	$1,020,807

5. Accrued Taxes are composed of the following amounts (in thousands):

	December 31, 1985	1984
Income taxes	$191,742	$128,372
Sales, payroll and miscellaneous taxes	61,765	58,570
	$253,507	$186,942

6. Long-Term Debt consists of the following amounts (in thousands):

	December 31, 1985	1984
9⅞% notes due June 1, 1985	$ —	$ 99,988
10⅜% notes due June 1, 1988	99,198	98,866
11⅜% notes due November 28, 1988	100,000	100,000
12¾% notes due August 1, 1989	99,821	99,771
11¾% notes due October 1, 1989 (redeemable after September 30, 1986)	98,641	98,279
11¾% notes due October 16, 1991 (redeemable after October 16, 1988)	99,793	99,757
9⅞% notes due August 1, 1992 (redeemable after July 31, 1989)	98,562	98,345
9⅞% notes due November 26, 1992 (redeemable after November 26, 1989)	100,000	—
Other	227,681	165,295
	923,696	860,301
Less current portion	34,495	120,300
	$889,201	$740,001

Notes outstanding at December 31, 1985, were issued outside the United States and are redeemable at the Company's option under certain limited conditions related to United States and foreign tax laws. The 11⅜% notes and the 9⅞% notes due November 26, 1992, were issued with detachable warrants which grant the holder the right to purchase additional notes bearing the same interest rate and maturing in 1991 and 1992, respectively. The warrants expire November 28, 1988, and November 26, 1989, respectively.

Other long-term debt consists of various mortgages and notes with maturity dates ranging from 1986 to 2011. Interest on a portion of this debt varies with the changes in the prime rate, and the weighted average interest rate applicable to the remainder is approximately 10.3%.

Maturities of long-term debt for the five years succeeding December 31, 1985, are as follows (in thousands):

1986	$ 34,495
1987	62,829
1988	225,613
1989	218,002
1990	16,773

The above notes include various restrictions, none of which are presently significant to the Company. The Company is contingently liable for guarantees of indebtedness owed by some of its independent bottling companies ($115 million), CCFC ($119 million), and others, totalling approximately $257 million at December 31, 1985.

7. Pension Plans. The Company and its subsidiaries sponsor and/or contribute to various pension plans covering substantially all United States employees and certain employees in non-United States locations. Pension expense for continuing operations determined under various actuarial cost methods, principally the aggregate level cost method, amounted to approximately $42 million in 1985, $35 million in 1984 and $39 million in 1983. Pension costs are generally funded currently.

The actuarial present value of accumulated benefits, as estimated by consulting actuaries, and net assets available for benefits of Company and subsidiary-sponsored plans in the United States are presented below (in thousands):

	January 1, 1985	1984
Actuarial present value of accumulated plan benefits		
Vested	$236,943	$217,558
Nonvested	24,549	17,527
	$261,492	$235,085
Net assets available for benefits	$351,283	$334,357

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was approximately 9% for 1985 and 1984.

The Company has various pension plans in locations outside the United States. These locations are not required to report to United States governmental agencies and do not determine the actuarial present value of accumulated plan benefits or net assets available for benefits as calculated and disclosed above. For such plans, the value of the pension funds and balance sheet accruals exceeded the actuarially computed value of benefits as of January 1, 1985 and 1984, as estimated by consulting actuaries.

The Company also has a plan which provides post-retirement health care and life insurance benefits to virtually all employees who retire with a minimum of five years of service; the aggregate cost of these benefits is not significant.

8. Income Taxes. The components of income before income taxes for both continuing and discontinued operations consist of the following (in thousands):

	Year Ended December 31, 1985	1984	1983
United States	$ 548,411	$ 457,260	$ 409,613
Foreign	617,293	610,773	591,660
	$1,165,704	$1,068,033	$1,001,273

Income taxes for continuing and discontinued operations consist of the following amounts (in thousands):

Year Ended December 31,	United States	State & Local	Foreign	Total
1985				
Current	$ 42,275	$17,295	$288,051	$347,621
Deferred	65,115	7,897	22,772	95,784
1984				
Current	$ 45,411	$23,085	$285,788	$354,284
Deferred	67,891	3,403	13,637	84,931
1983				
Current	$114,195	$25,615	$287,846	$427,656
Deferred	4,493	1,068	9,269	14,830

A reconciliation of the statutory United States federal rate and effective rates is as follows:

	Year Ended December 31, 1985	1984	1983
Statutory rate	46.0%	46.0%	46.0%
State income taxes—net of federal benefit	1.2	1.3	1.4
Earnings in jurisdictions taxed at lower rates (principally Puerto Rico)	(5.1)	(3.0)	(1.9)
Investment tax credits	(3.3)	(2.9)	(2.0)
Other—net	(.8)	(.3)	.7
	38.0%	41.1%	44.2%
Investment tax credits included in determination of above rates (in millions)	$38	$34	$20

Deferred taxes are provided principally for depreciation, film costs and television and other licensing income which are recognized in different years for financial statement and income tax purposes. The Company has manufacturing facilities in Puerto Rico that operate under a Puerto Rican tax exemption which expires in 1995. In 1984, the Company completed an organizational restructuring in the Entertainment Business Sector which resulted in an increase in the tax bases of certain assets.

Appropriate United States and foreign income taxes have been provided for earnings of subsidiary companies which are expected to be remitted to the parent company in the near future. Accumulated unremitted earnings of foreign subsidiaries which are expected to be required for use in the foreign operations were approximately $67 million at December 31, 1985, exclusive of amounts which if remitted would result in little or no tax.

9. Stock Options and Other Stock Plans. The amended 1983 Restricted Stock Award Plan provides that 1,000,000 shares of restricted common stock may be granted to certain officers and key employees of the Company. The shares are subject to forfeiture if the employee leaves the Company for reasons other than death, disability or retirement and may not be transferred by the employee prior to death, disability or retirement. The employee receives dividends on the shares and may vote the shares. The market value of the shares at the date of grant is charged to operations over the vesting periods. Shares granted were 94,000 shares, 294,500 shares and 166,500 shares, in 1985, 1984 and 1983, respectively. At December 31, 1985, 445,000 shares were available to be granted under this Plan.

The Company's 1983 Stock Option Plan covers 2,000,000 shares of the Company's common stock. The Plan provides for the granting of stock appreciation rights and stock options to certain officers and employees. Stock appreciation rights permit the holder, upon surrendering all or part of the related stock option, to receive cash, common stock or a combination thereof, in an amount up to 100% of the difference between the market price and the option price. Included in options outstanding at December 31, 1985, were various options granted under previous plans and other options granted not as a part of an option plan.

Further information relating to options is as follows:

	December 31, 1985	1984	1983
Options outstanding at January 1	1,866,445	1,713,222	1,507,162
Options granted in the year	481,450	454,650	487,900
Options exercised in the year	(360,646)	(264,845)	(203,361)
Options cancelled in the year	(99,864)	(36,582)	(78,479)
Options outstanding at December 31	1,887,385	1,866,445	1,713,222
Options exercisable at December 31	1,064,326	868,596	750,026
Shares available at December 31 for options which may be granted	709,421	1,131,950	1,577,858
Option prices per share			
Exercised in the year	$31-$64	$25-$52	$25-$50
Unexercised at year-end	$31-$71	$31-$64	$25-$52

Not reflected above are options assumed in connection with the acquisition of Columbia Pictures Industries, Inc., covering 6,000 shares of the Company's common stock at December 31, 1985. The option price for these options is $37. During 1985, options for 21,400 such shares were exercised, and no options were cancelled.

In 1985, the Company entered into Performance Unit Agreements, whereby certain officers will be granted cash awards based upon the difference in the market value of 185,000 shares of the Company's common stock at the measurement dates and the base price of $61.875, the market value as of January 2, 1985. Under these agreements, the cost will be charged to operations over the vesting period.

10. Acquisitions. In 1985, 1984 and 1983, the Company purchased various bottling companies to operate. The operating results for these companies have been included in the consolidated statements of income from the dates of acquisition and do not have a significant effect on operating results for those respective years.

In August 1985, the Company purchased certain assets and properties of Embassy Communications and Affiliates (Embassy) and Tandem Productions (Tandem). The purchase price for the assets of Tandem was approximately $178 million in cash and the assumption of certain ordinary course trade liabilities. The purchase price for Embassy was approximately $267 million, comprised of approximately 2.4 million shares of the Company's common stock and the payment of existing debt. Embassy and Tandem are engaged principally in the production and distribution of television programs. The operating results for these companies have been included in the consolidated statement of income from the date of acquisition. Embassy Pictures and certain receivables and contract rights, which were acquired in conjunction with the above acquisitions, were subsequently sold.

In December 1985, the Company acquired Nutri-Foods Int'l., Inc., a manufacturer of juice-based frozen desserts. The total purchase price was comprised of approximately $30 million in cash at closing, plus participation in Nutri-Foods' earnings through December 31, 1989. Such earnings will be paid to former principal owners who continue as employees of Nutri-Foods Int'l., Inc.

In 1984, the Company purchased a substantial equity interest in The Mid-Atlantic Coca-Cola Bottling Company, Inc., at a cost of more than $60 million. This investment was made with the intent of selling it to other purchasers as part of the bottler restructuring efforts. Accordingly, the investment is accounted for as temporary under the cost method of accounting.

Included in current marketable securities at December 31, 1985, is $161 million on deposit with an escrow agent. It is anticipated that most of this amount will be used to acquire Louisiana Coca-Cola Bottling Co.

11. Divestitures and Discontinued Operations. In December 1985, the Company sold Presto Products, Incorporated, and Winkler/Flexible Products, Inc., manufacturers of plastic products, for approximately $112 million. In November 1983, the Company sold its wine business for book value plus advances, amounting to approximately $230 million. Operating results for these companies have been reported as discontinued operations. Net revenues of discontinued operations were $235 million, $212 million and $350 million in 1985, 1984 and 1983, respectively. In 1984, the Company sold Ronco Enterprises, Inc., a manufacturer and distributor of pasta products, for cash. This transaction had no significant effect on consolidated operating results.

In 1985, the Company sold capital stock of several United States bottling operations; these disposals resulted in gains of approximately $67 million. In conjunction with its continuing bottler restructuring efforts in 1984, the Company sold bottling interests in Australia and Japan and provided for possible losses in Guatemala, where an independent bottler ceased operations. Such efforts resulted in net pretax gains of approximately $18 million in 1984.

12. Receivable and Contract Right Conversions. During 1985, the Company sold its rights to cash payments under contracts related to certain films and television programs not presently available for telecast. Approximately $31 million of such rights were acquired by CCFC, the Company's wholly owned finance subsidiary. These transactions resulted in deferred revenue which is recognized as operating revenue as the respective materials become available for telecast. The differences between the present value of the contracts and the amounts to be recognized as revenue are being reported as non-operating deductions. Certain entertainment and other accounts receivable, totalling $465 million, were also sold during the year. These transactions are subject to recourse. The uncollected balance of receivables, including unearned interest, was approximately $413 million at December 31, 1985.

13. Working Capital. Decreases (increases) in working capital (excluding cash, marketable securities, loans and notes payable and current portion of long-term debt), by component, were:

	1985	1984	1983
Trade accounts receivable	$ 63,459	$(72,127)	$(69,107)
Inventories and film costs	(137,873)	18,070	(57,776)
Prepaid expenses and other assets	(52,974)	(45,737)	55,663
Accounts payable and accrued expenses	78,299	47,472	143,957
Entertainment obligations	8,648	38,324	(590)
Accrued taxes	64,870	(31,506)	(39,512)
Decrease (increase)	$ 24,429	$(45,504)	$ 32,635

14. Subsequent Events. On January 27, 1986, the Company announced an agreement in principle to merge its United States bottling operations with JTL Corporation, the Company's largest independent bottler. The combined entity will account for approximately 25% of the Company's domestic soft drink unit volume.

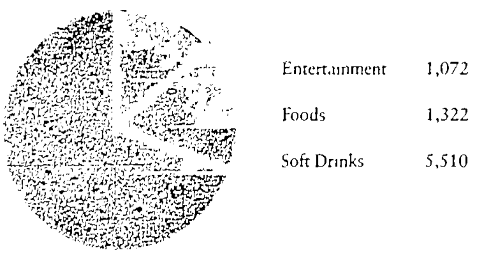
On February 18, 1986, the Company announced an agreement in principle to acquire for cash Merv Griffin Enterprises, which produces and distributes television game shows. On February 20, 1986, the Company announced an agreement in principle to acquire Dr Pepper Company, the fourth largest soft drink maker, for approximately $470 million, which includes the assumption of $170 million in debt. These proposed acquisitions are subject to the execution of definitive agreements and the receipt of consents and approvals by governmental authorities and regulatory agencies.

15. Lines of Business. The Company operates principally in the soft drink industry. The Entertainment Business Sector is engaged in the production and distribution of motion picture and television products and other entertainment related activities. Citrus, fruit drinks, coffee and other products are included in the Foods Business Sector. Intercompany transfers between sectors are not material. Information concerning operations in different lines of business is as follows (in millions):

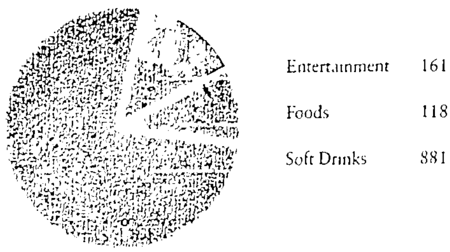
Year Ended December 31,		1985	1984	1983
Net Operating Revenues*	Soft drinks	$5,510.0	$5,014.9	$4,694.6
	Entertainment	1,072.1	884.7	849.5
	Foods	1,321.8	1,252.2	1,096.7
	Consolidated net operating revenues	$7,903.9	$7,151.8	$6,640.8
Operating Income*	Soft drinks	$ 880.7	$ 879.6	$ 858.6
	Entertainment	160.6	121.1	90.6
	Foods	117.5	122.3	110.5
	General expenses	(113.4)	(80.9)	(77.9)
	Consolidated operating income	$1,045.4	$1,042.1	$ 981.8
Identifiable Assets at Year-End	Soft drinks	$3,679.5	$3,009.6	$2,670.6
	Entertainment	1,802.4	1,615.4	1,394.0
	Foods	473.5	369.1	340.1
	Corporate assets (principally marketable securities, investments and fixed assets)	942.3	873.1	731.3
	Discontinued operations	—	90.9	91.8
	Consolidated assets	$6,897.7	$5,958.1	$5,227.8
Capital Expenditures (including fixed assets of purchased companies)	Soft drinks	$ 326.2	$ 294.6	$ 237.6
	Entertainment	22.4	31.2	72.9
	Foods	113.8	39.9	45.1
	Corporate	79.6	25.1	28.0
	Consolidated capital expenditures	$ 542.0	$ 390.8	$ 383.6
Depreciation and Amortization of Goodwill*	Soft drinks	$ 140.9	$ 127.0	$ 120.4
	Entertainment	19.7	17.6	15.7
	Foods	21.2	20.3	18.7
	Corporate	14.1	10.9	8.4
	Consolidated depreciation and amortization of goodwill	$ 195.9	$ 175.8	$ 163.2

*Operating results for 1983 and 1984 have been restated to exclude the results of Presto Products, Incorporated, and Winkler/Flexible Products, Inc., subsidiaries of the Company which were sold in December 1985 and accounted for as discontinued operations.

Net Operating Revenues
($ Millions)



Operating Income
($ Millions)

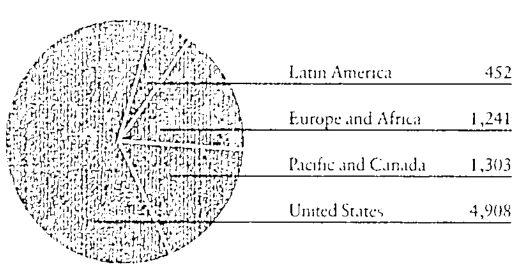


16. Operations in Geographic Areas. Information about the Company's operations in different geographic areas is presented below (in millions). Intercompany transfers between geographic areas are not material.

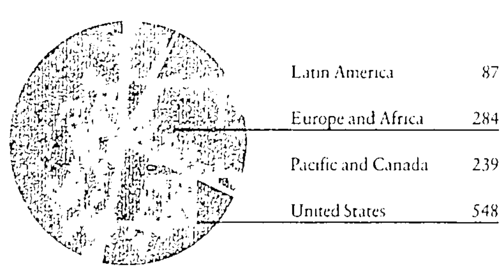
Year Ended December 31,		1985	1984	1983
Net Operating Revenues*	United States	$4,908.4	$4,354.2	$3,883.2
	Latin America	452.4	429.6	401.3
	Europe and Africa	1,240.6	1,183.8	1,225.6
	Pacific and Canada	1,302.5	1,184.2	1,130.7
	Consolidated net operating revenues	$7,903.9	$7,151.8	$6,640.8
Operating Income*	United States	$ 548.3	$ 534.8	$ 487.9
	Latin America	87.3	89.6	69.4
	Europe and Africa	284.3	272.5	295.4
	Pacific and Canada	238.9	226.1	207.0
	General expenses	(113.4)	(80.9)	(77.9)
	Consolidated operating income	$1,045.4	$1,042.1	$ 981.8
Identifiable Assets at Year-End	United States	$4,228.0	$3,484.6	$2,904.7
	Latin America	380.8	409.8	420.9
	Europe and Africa	805.0	636.4	606.5
	Pacific and Canada	541.6	463.3	472.6
	Corporate assets (principally marketable securities, investments and fixed assets)	942.3	873.1	731.3
	Discontinued operations	—	90.9	91.8
	Consolidated assets	$6,897.7	$5,958.1	$5,227.8
Identifiable Liabilities of Operations Outside the United States		$ 742.6	$ 714.5	$ 652.0

* Operating results for 1983 and 1984 have been restated to exclude the results of Presto Products, Incorporated, and Winkler/Flexible Products, Inc., subsidiaries of the Company which were sold in December 1985 and accounted for as discontinued operations.

Net Operating Revenues
($ Millions)



Operating Income
($ Millions)



Report of Independent Accountants

Board of Directors and Shareholders
The Coca-Cola Company
Atlanta, Georgia

We have examined the consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 1985 and 1984, and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Coca-Cola Company and subsidiaries at December 31, 1985 and 1984, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Atlanta, Georgia
January 31, 1986, except for Note 14,
as to which the date is February 20, 1986

Report of Management

Management is responsible for the preparation and integrity of the consolidated financial statements appearing in this Annual Report. The financial statements were prepared in conformity with generally accepted accounting principles appropriate in the circumstances and, accordingly, include some amounts based on management's best judgments and estimates. Financial information in this Annual Report is consistent with that in the financial statements.

Management is responsible for maintaining a system of internal accounting controls and procedures to provide reasonable assurance, at an appropriate cost/benefit relationship, that assets are safeguarded and that transactions are authorized, recorded and reported properly. The internal accounting control system is augmented by a program of internal audits and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written Code of Business Conduct adopted by the Board of Directors, applicable to all employees of the Company and its subsidiaries. Management believes that the Company's internal accounting controls provide reasonable assurance that assets are safeguarded against material loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements and other data and maintaining accountability for assets.

The Audit Committee of the Board of Directors, composed solely of Directors who are not officers of the Company, meets with the independent accountants, management and internal auditors periodically to discuss internal accounting controls, auditing and financial reporting matters. The Committee reviews with the independent accountants the scope and results of the audit effort. The Committee also meets with the independent accountants without management present to ensure that the independent accountants have free access to the Committee.

The independent accountants, Ernst & Whinney, are recommended by the Audit Committee of the Board of Directors, selected by the Board of Directors and ratified by the shareholders. Ernst & Whinney is engaged to examine the consolidated financial statements of The Coca-Cola Company and subsidiaries and conduct such tests and related procedures as they deem necessary in conformity with generally accepted auditing standards. The opinion of the independent accountants, based upon their examination of the consolidated financial statements, is contained in this Annual Report.

Roberto C. Goizueta
Chairman, Board of Directors,
and Chief Executive Officer

M. Douglas Ivester

M. Douglas Ivester
Senior Vice President
and Chief Financial Officer

January 31, 1986, except for Note 14,
as to which the date is February 20, 1986

Supplemental Information on the Effects of Changing Prices (Unaudited)

General. The following unaudited disclosures were prepared in accordance with standards issued by the Financial Accounting Standards Board and are intended to quantify the impact of inflation on earnings and production facilities. The inflation-adjusted data is presented under the specific price changes method (current cost). Only those items most affected by inflation have been adjusted; i.e., inventories, property, plant and equipment, the related costs of goods and services sold and depreciation and amortization expense. Although the resulting measurements cannot be used as precise indicators of the effects of inflation, they do provide an indication of the effect of increases in specific prices of the Company's inventories and properties.

The adjustments for specific price changes involve a substantial number of judgments as well as the use of various estimating techniques employed to control the cost of accumulating the data. The data reported should not be thought of as precise measurements of the assets and expenses involved, or of the amount at which the assets could be sold. Rather, they represent reasonable approximations of the price changes that have occurred in the business environment in which the Company operates.

A brief explanation of the current cost method is presented below.

The current cost method attempts to measure the effect of increases in the specific prices of the Company's inventories and properties. It is intended to estimate what it would cost in 1985 dollars to replace the Company's inventories and existing properties.

Under this method, cost of goods sold valued on the average method is adjusted to reflect the current cost of inventories at the date of sale. That portion of cost of goods sold valued on the LIFO method approximates the current cost of inventory at the date of sale and generally remains unchanged from the amounts presented in the primary financial statements.

Current cost depreciation expense is based on the average current cost of properties in the year. The depreciation methods, salvage values and useful lives are the same as those used in the primary statements.

The current cost of finished products inventory was approximated by adjusting historical amounts to reflect current costs for material, labor and overhead expenses as well as current cost depreciation, where applicable. The current cost for inventories other than finished products was determined on the basis of price lists or appropriate supplier quotations and by other managerial estimates consistent with established purchasing and production procedures.

Statement of Income Adjusted for Changing Prices
(In millions except per share data)

Year Ended December 31, 1985	As Reported in the Primary Statements	Adjusted for Changes in Specific Prices (Current Costs)
Net operating revenues	$7,903.9	$7,903.9
Cost of goods and services (excluding depreciation)	4,125.2	4,165.5
Depreciation and amortization	181.7	255.2
Other operating expenses	2,549.4	2,549.4
Other (income) deductions—net	(45.2)	2.0
Income from continuing operations before income taxes	1,092.8	931.8
Income taxes	415.2	415.2
Income from continuing operations	$ 677.6	$ 516.6
Income per share from continuing operations	$ 5.17	$ 3.94
Effective income tax rate	38.0%	44.6%
Purchasing power gain from holding net monetary liabilities in the year		$ 42.6
Increase in specific prices of inventories and property, plant and equipment held in the year		$ 84.4
Less effect of increase in general price level		129.9
Increase in specific prices over increase in the general price level		$ (45.5)
Estimated translation adjustment		$ 50.0
Inventory and film costs	$1,449.4	$1,489.9
Property, plant and equipment—net	$1,883.7	$2,428.8

A significant part of the Company's operations is measured in functional currencies other than the United States dollar. Adjustments to reflect the effects of general inflation were determined on the translate-restate method using the United States Consumer Price Index—Urban.

Since motion picture films are the result of a unique blending of the artistic talents of many individuals and are produced under widely varying circumstances, it is not feasible to develop the current cost of film inventories, particularly since the Company would rarely, if ever, attempt to duplicate an existing film property. In view of these considerations and as permitted by Statement of Financial Accounting Standards No. 46, film inventories have been valued on the basis of constant dollar equivalents. Direct supplier quotations, published price lists, engineering estimates, construction quotations, appraisals and published and internally developed indexes were the methods used to determine the current cost of property, plant and equipment.

Under current cost accounting, increases in specific prices (current cost) of inventories and properties held during the year are not included in income from continuing operations.

Income Taxes. Taxes on income included in the supplementary statement of income are the same as reported in the primary financial statements. In most countries, present tax laws do not allow deductions for the effects of inflation.

Purchasing Power Gain. During periods of inflation, monetary assets, such as cash, marketable securities and accounts receivable, lose purchasing power since they will buy fewer goods when the general price level increases. The holding of monetary liabilities, such as accounts payable, accruals and debt, results in a gain of purchasing power because cheaper dollars will be used to repay the obligations. The Company has benefited from a net monetary liability position in recent years, resulting in a net gain in purchasing power. This gain does not represent an increase in funds available for distribution to shareholders and does not necessarily imply that incurring more debt would be beneficial to the Company.

Increase in Specific Prices. Shown separately are the total changes in current costs for inventories and properties, that component of the total change due to general inflation and that component of the change attributable to fluctuations in exchange rates.

Five-Year Comparison of Selected Supplemental Financial Data Adjusted for Effects of Changing Prices (In Average 1985 Dollars)
(In millions except per share data)

Year Ended December 31,	1985	1984	1983	1982	1981
Net operating revenues	$7,903.9	$7,404.9	$7,168.5	$6,531.1	$6,550.8
Current cost information					
Income from continuing operations	516.6	560.0	518.6	432.2	397.9
Income per share from continuing operations	3.94	4.24	3.81	3.32	3.21
Increase in specific prices over (under) increase in the general price level, including translation adjustments	4.5	(258.6)	(248.5)	(206.1)	(244.7)
Net assets at year-end	3,553.4	3,545.4	3,890.2	4,029.4	3,708.3
Purchasing power gain on net monetary items	42.6	27.0	30.0	19.7	28.9
Cash dividends declared per share					
As reported	2.96	2.76	2.68	2.48	2.32
Adjusted for general inflation	2.96	2.86	2.89	2.76	2.74
Market price per common share at year-end					
Historical amount	84.50	62.375	53.50	52.00	34.75
Adjusted for general inflation	84.50	64.58	57.75	57.94	41.09
Average Consumer Price Index—Urban CPI(U) (1967 = 100)	322.1	311.1	298.4	289.1	272.4

Quarterly Data (Unaudited)
(For the years ended December 31, 1985 and 1984)

Quarterly Results of Operations
(In millions except per share data)

	Net Operating Revenues		Gross Profit	
	1985	1984	1985	1984
First quarter	$1,704.4	$1,534.8	$ 781.0	$ 713.0
Second quarter	1,978.1	1,873.0	974.7	897.8
Third quarter	2,111.6	2,016.5	1,011.6	926.1
Fourth quarter	2,109.8	1,727.5	943.0	792.3
	$7,903.9	$7,151.8	$3,710.3	$3,329.2

	Income From Continuing Operations		Net Income	
	1985	1984	1985	1984
First quarter	$ 139.9	$ 137.1	$ 141.2	$ 138.0
Second quarter	193.6	183.7	196.1	185.0
Third quarter	192.3	173.6	195.6	175.3
Fourth quarter	151.8	127.4	189.4	130.5
	$ 677.6	$ 621.8	$ 722.3	$ 628.8

	Income Per Share From Continuing Operations		Net Income Per Share	
	1985	1984	1985	1984
First quarter	$ 1.07	$ 1.01	$ 1.08	$ 1.02
Second quarter	1.48	1.39	1.50	1.40
Third quarter	1.45	1.33	1.48	1.34
Fourth quarter	1.17	.97	1.45	1.00
	$ 5.17	$ 4.70	$ 5.51	$ 4.76

Operating results for 1984 and the first three quarters of 1985 have been restated to exclude the results of Presto Products, Incorporated, and Winkler/Flexible Products, Inc., subsidiaries of the Company which were sold in December 1985 and accounted for as discontinued operations.

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Chairman, Board of Directors, and Chief Executive Officer

Donald R. Keough
President and Chief Operating Officer

Sr. Executive Vice President

Claus M. Halle

Executive Vice Presidents

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Ira C. Herbert

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H. T. Circuit
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Joseph W. Jones
Robert A. Keller
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Francis T. Vincent, Jr.
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Robert A. Keller
General Counsel

Murray D. Friedman
Treasurer

Philip J. Carswell, Jr.
Controller

Donald R. Greene
Secretary

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President

International Soft Drink Business Sector

Claus M. Halle
President

Entertainment Business Sector

Francis T. Vincent, Jr.
President

Foods Business Sector

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President

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Allen & Company Incorporated

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Chairman, Board of Directors,
Duncan, Cook & Co.

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Chairman, Board of Directors,
Security Pacific National Bank

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The Coca-Cola Company

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Atlanta, Georgia
Senior Vice President and Assistant Treasurer,
The Coca-Cola Company

Donald R. Keough
Atlanta, Georgia
President and Chief Operating Officer,
The Coca-Cola Company

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President,
Emory University

Donald F. McHenry
Washington, D.C.
University Research Professor of Diplomacy and International Affairs,
Georgetown University

Paul F. Oreffice
Midland, Michigan
President and Chief Executive Officer,
The Dow Chemical Company

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American Express Company

James M. Sibley
Atlanta, Georgia
Partner in the law firm of King & Spalding

William B. Turner
Columbus, Georgia
Chairman, Board of Directors, and Chief Executive Officer,
W.C. Bradley Co.,
Chairman, Board of Directors,
CB&T Bancshares, Inc.

James B. Williams
Atlanta, Georgia
Vice Chairman,
SunTrust Banks, Inc.,
President,
Trust Company of Georgia,
President,
Sun Banks, Inc.

Standing, left to right: James T. Laney, William B. Turner,
Seated, left to right: James M. Sibley, Anne Cox Chambers,

Herbert A. Allen, Charles W. Duncan, Jr., James B. Williams, Donald F. McHenry, Paul F. Oreffice.
Roberto C. Goizueta, Joseph W. Jones, Donald R. Keough, James D. Robinson, III. Not pictured: Richard J. Flamson III.

Common Stock
Ticker Symbol: KO

Common stock of The Coca-Cola Company, exceeding 128 million shares outstanding, is listed and traded on the New York Stock Exchange and also is traded on the Boston, Cincinnati, Midwest, Pacific and Philadelphia stock exchanges. Outside the United States, the Company's common stock is listed and traded on the German exchange in Frankfurt and on Swiss exchanges in Zurich, Geneva, Bern, Basel and Lausanne. There were 74,963 shareholders of record on December 31, 1985.

Annual Meeting
The Annual Meeting of Shareholders will be at 9:00 a.m. Eastern Standard Time, April 16, 1986, at the Georgia World Congress Center, Ballroom, 285 International Blvd. N.W., Atlanta, Georgia. Shareholders are cordially invited to attend the Annual Meeting, which is being held in Atlanta in celebration of the centennial of Coca-Cola.

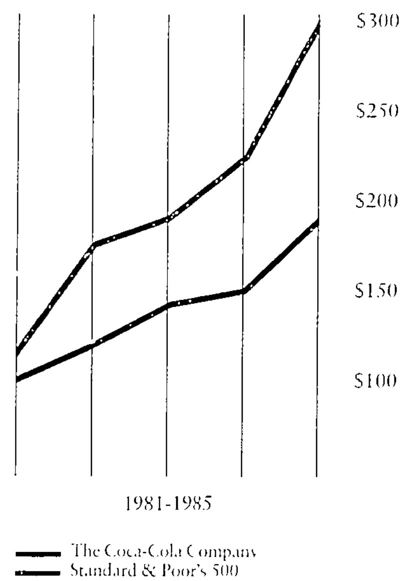
Additional Company Information Sources
The *Annual Report* is only one source of information available to Company shareholders, the investment community and the general public. The Company regularly distributes quarterly *Progress Reports,* containing financial results and other news about the Company, and a *Notice of Annual Meeting of Shareholders* and *Proxy Statement,* which are furnished to shareholders in advance of the Annual Meeting.

Publications that are available on request at no charge from the Shareholder Relations Department include the Company's *Annual Report on Form 10-K* and *Quarterly Report on Form 10-Q.* Also available is the brochure *A Profile of The Coca-Cola Company in 1990,* an update on the Company's Strategy for the 1980s. A special history publication, *The Chronicle of Coca-Cola Since 1886,* is available as the Company celebrates the Coca-Cola centennial. A variety of other booklets about the Company and its products also are available on request.

Historical Stock and Dividend Growth
An original share of The Coca-Cola Company stock, purchased in 1919 for $40, would have increased in value by the end of 1985 to $16,224, or 192 shares. If dividends were reinvested at each year end and taxes were paid out of pocket, this share would have increased in value to $279,695, or 3,310 shares. Over 66 years, this represents an average 14 percent compounded annual rate of return.

The Company has paid 259 consecutive dividends, beginning in 1920. Dividends normally are paid on a quarterly basis, usually on the first day of April, July and October and the 15th day of December.

Stock Performance 1981-1985
The accompanying chart illustrates the growth in value of common stock of The Coca-Cola Company as compared with the Standard & Poor's Composite Index of 500 Stocks for the past five years. A $100 investment in the Company's stock on December 31, 1980, would have grown to more than $292 by December 31, 1985, including the accumulation of dividends.



This comparison assumes no commissions and no income taxes. Historic returns are not necessarily indicative of future returns.

Below are the New York Stock Exchange high, low and closing prices of The Coca-Cola Company stock for each quarter of 1985 and 1984 and for the preceding three full years.

	High	Low	Close
1985			
Fourth quarter	**$88.25**	**$69.125**	**$84.50**
Third quarter	**74.875**	**67.25**	**69.75**
Second quarter	**72.25**	**66.00**	**69.375**
First quarter	**70.25**	**59.50**	**70.00**
1984			
Fourth quarter	66.00	59.75	62.375
Third quarter	64.375	57.00	62.625
Second quarter	59.875	53.125	57.625
First quarter	55.75	49.00	54.875
1983	57.50	45.50	53.50
1982	53.625	29.75	52.00
1981	40.25	26.75	34.75

Dividend and Cash Investment Plan

All shareholders of record are invited to participate in the Dividend and Cash Investment Plan. By reinvesting dividends from Company stock toward the purchase of new shares, the Plan provides a convenient, economical and systematic method of acquiring additional shares of the Company's common stock.

Prominent features of the Plan are:

- All costs and commissions associated with joining and participating in the Plan are paid by the Company.
- Shareholders may partially reinvest by designating a specific number of shares for dividend reinvestment, while maintaining cash dividend income from their remaining shares.
- Shareholders may purchase additional Company stock through voluntary cash investments of up to $60,000 per year with or without reinvesting dividends from existing shares.

The Plan's administrator, Morgan Guaranty Trust Company of New York, purchases stock on or about the first of each month for voluntary cash investments, and quarterly for dividend reinvestment. As of December 31, 1985, 17,822 shareholders, or 24 percent of the shareholders of record, were participants in the Plan. During 1985, shareholders invested more than $5 million in dividends and $1.6 million in voluntary cash investments in the Plan.

Equal Opportunity Policy

The Coca-Cola Company reaffirms its long-standing commitment to equal opportunity and affirmative action. This commitment is an integral part of the Company's corporate environment. The Company strives to create a working environment free of discrimination and harassment with respect to race, sex, color, national origin, religion, age, handicap, or being a veteran of the Vietnam era, as well as to make reasonable accommodations in the employment of qualified individuals with disabilities.

The Company is pleased to report that as a result of its ongoing equal opportunity efforts, minority and female representation has continued to increase. Employment, training and advancement efforts made during 1985 and prior years have resulted in a multicultural work force which reflects the outside labor market.

In addition, the Company actively seeks to provide fair marketing opportunities to all suppliers of goods and services and has instituted special programs to increase transactions with firms that are owned and operated by minorities and women.

Corporate Offices
International headquarters offices:
The Coca-Cola Company
310 North Avenue N.W.
Atlanta, Georgia 30313
(404) 676-2121

Inquiries and Assistance
Inquiries and requests for assistance should be directed to the addresses below:

Shareholder Assistance
Shareholder Relations Department
The Coca-Cola Company
Post Office Drawer 1734
Atlanta, Georgia 30301
(404) 676-2[illegible]77

Security Analyst Assistance
Investor Relations Department
The Coca-Cola Company
Post Office Drawer 1734
Atlanta, Georgia 30301
(404) 676-5766

Transfer Agent, Registrar, Dividend Disbursing Agent
Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015
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Independent Accountants
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